

**THE CONTRIBUTION OF TRADE OPENNESS AND POLITICAL  
STABILITY IN PROMOTING INCLUSIVE GROWTH IN PAKISTAN**

**By**

**Syeda Aliza Jaffery**



**NATIONAL UNIVERSITY OF MODERN LANGUAGES**

**ISLAMABAD**

**THE CONTRIBUTION OF TRADE OPENNESS AND  
POLITICAL STABILITY IN PROMOTING INCLUSIVE  
GROWTH IN PAKISTAN**

By

**Syeda Aliza Jaffery**

1127 M.Phil./Eco/S16

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF

THE REQUIREMENTS FOR THE DEGREE OF

**MASTER OF PHILOSOPHY**

**IN ECONOMICS**

TO

FACULTY OF MANAGEMENT SCIENCES

(M.Phil. Economics)



NATIONAL UNIVERSITY OF MODERN LANGUAGES, ISLAMABAD  
December, 2018



## THESIS AND DEFENSE APPROVAL FORM

The undersigned certify that they have read the following thesis, examined the defense, are satisfied with overall exam performance and recommend the thesis to the Faculty of Higher Studies for acceptance:

Thesis Title: **THE CONTRIBUTION OF TRADE OPENNESS AND POLITICAL STABILITY IN PROMOTING INCLUSIVE GROWTH IN PAKISTAN**

Submitted by: Syeda Aliza

Registration # 1127-MPhil/Eco/S16

Master of Philosophy

Degree Name

Economics

Name of Discipline

Dr. Saima Mansor

Name of Research Supervisor

\_\_\_\_\_  
Signature of Supervisor

Miss Zakia Batool

Name of Co Supervisor

\_\_\_\_\_  
Signature of Co-Supervisor

Prof. Dr. Syed, B. Hussain

Head of Department

\_\_\_\_\_  
Signature of Head of Department

Brig. (R) Dr. Maqsd-ul-Hassan

Name of Dean (FMS)

\_\_\_\_\_  
Signature of Dean (FMS)

Brig. Muhammad Ibrahim

Name of Director General

\_\_\_\_\_  
Signature of Director General

## CANDIDATE DECLARATION FORM

I **Syeda Aliza Jaffery**

Daughter of **Syed Tahseen Jaffery**

Registration No: **1127-MPhil/Eco/S16**

Discipline: **Economics**

Candidate of **Master of Philosophy** at the National University of Modern Languages do hereby declare that the thesis **The Contribution of Trade Openness and Political Stability in Promoting Inclusive Growth in Pakistan** submitted by me in the partial fulfillment of M.Phil. Economics degree, is my original work, and has not been submitted or published earlier. I also solemnly declare that I shall not, in future, be submitted by me for obtaining any other degree by this or any other university or institution.

I also understand that if evidence of plagiarism found in my thesis/dissertation at any stage, even after the award of a degree, the work may be cancelled, and the degree received.

**Signature of Candidate**

**Date**

**Name of Candidate**

## **ABSTRACT**

### **The Contribution of Trade Openness and Political Stability in Promoting Inclusive Growth in Case of Pakistan**

The main objective of the study is to find the impact of trade openness and political stability in promoting inclusive growth of Pakistan. The study draws the attention of policy-makers towards the new development pattern that emphasizes on income as well as non-income dimensions of reducing poverty and inequality. The increasing political restlessness in the country and declining exports in the recent years have attracted the attention of many policy makers. Therefore, the impact of trade openness and political stability on inclusive growth is examined for the period of 1980-2016 using Auto Regressive Distributed Lag (ARDL). The relationship among variables: inclusive growth, trade openness, political stability, human capital and gross fixed capital formation is analyzed. To find the presence of long run relationship among variables, the bound testing approach is applied whereas Error Correction Model (ECM) is used to find out the short-run relationship among variables. The impact of trade openness on inclusive growth of Pakistan is weak due to exports of raw materials and imports of capital goods or finished goods along with weak conflict management and low quality institutions in the country. The results of long-run relationship indicate that trade openness has a significant negative relationship while human capital has a significant positive relationship with inclusive growth. However, gross fixed capital formation and political stability both have a positive relationship with inclusive growth but it is not statistically significant. The findings recommend that exports of final products can give rise to economic growth and quality conflict management institutions will be helpful for promotion of inclusive growth in society and beneficial for the betterment of the economy of Pakistan.

**Key Words:** Inclusive Growth, Trade Openness, Human Capital

# TABLE OF CONTENTS

TITLE PAGE .....	i
THESIS AND DEFENSE APPROVAL FORM .....	ii
CANDIDATE DECLARATION FORM.....	iii
ABSTRACT .....	iv
TABLE OF CONTENTS.....	v
LIST OF TABLES .....	viii
LIST OF FIGURES .....	ix
ABBREVIATIONS .....	x
ACKNOWLEDGEMENT .....	xi
<b>Chapter 1: Introduction .....</b>	<b>1</b>
1.1 Statement of the Problem .....	4
1.2 Hypothesis of the study .....	4
1.3 Research Questions .....	5
1.4 Objectives of the Study .....	5
1.5 Significance of the Study .....	5
1.6 Organization of the study .....	6
<b>Chapter 2: Review of Literature.....</b>	<b>7</b>
2.1 Introduction .....	7
2.2 Literature Review Related to Inclusive Growth.....	7
2.3 Human Capital and Inclusive Growth .....	13
2.4 Inclusive Growth and Investment .....	30
2.5 Trade Openness and Inclusive Growth .....	31
<b>Chapter 3:Analysis of Inclusiveness in Pakistan Economy ... ..</b>	<b>46</b>
3.1 GDP.....	46
3.2 Education.....	49
3.3 Health .....	52

3.4 Poverty .....	54
3.5 Telecom.....	55
3.6 Transport .....	58
3.7 Sanitation.....	62
3.8 Gender Equity .....	64
3.9 Income Inequality .....	66
3.10 Employment .....	69
<b>Chapter 4: Data and Methodology .....</b>	<b>73</b>
4.1 Theoretical Framework .....	73
4.2 Construction of Composite index for Inclusive Growth .....	74
4.3 Description of Variables Used For the Construction of Inclusive Growth Data.....	74
4.4 Weightage Table .....	75
4.5 Assigning Equal Weights .....	75
4.6 Standardization of Data.....	76
4.7 Example of Inclusive Growth Index Construction for 2016.....	76
4.8 Unit Root Test.....	77
4.9 ARDL Approach .....	78
4.10 Bound Testing Approach.....	79
4.11 Error Correction Model.....	82
4.12 Normality Test .....	82
4.13 CUSUM Test .....	82
4.14 CUSUMSQ Test .....	83
4.15 Data Sources .....	83
4.16 Variables and the Data Sources .....	83
4.17 Explanation of the Variables.....	84
4.17.1 Inclusive Growth.....	84
4.17.2 Trade Openness.....	84
4.17.3 Political Stability.....	85

4.17.4 Gross Fixed Capital Formation .....	85
4.17.5 Human Capital .....	85
4.18 Conclusion .....	86
<b>Chapter 5: Results and Discussion .....</b>	<b>87</b>
5.1 Introduction.....	87
5.2 Augmented Dicky Fuller Test Results .....	87
5.3 Long-Run Results of ARDL .....	89
5.4 Bound Test.....	90
5.5 Short-Run Results of ARDL.....	91
5.6 ARDL Results .....	92
5.7 Optimal Lag Selection .....	92
5.8 Correlation Matrix.....	93
5.9 Serial Correlation LM Test.....	94
5.10 Histogram Normality Test.....	95
5.11 Stability Test .....	96
5.12 Parametric Stability Test (CUSUM Test) .....	96
5.13 Parametric Stability Test (CUSUMSQ Test).....	97
<b>Chapter 6: Conclusion and Policy Recommendations.....</b>	<b>98</b>
6.1 Policy Recommendations.....	99
<b>REFERENCES.....</b>	<b>101</b>
<b>Appendix .....</b>	<b>i-vi</b>



## LIST OF TABLES

	Page No
Table 4.3	Description of Variables Used for Construction of Inclusive Growth Data 74
Table 4.4	Weightage table for Inclusive Growth 75
Table 4.7	Example of inclusive growth index construction in 2016 76
Table 4.16	Variables and data sources 83
Table 5.2	Augmented Dickey Fuller (ADF) Test Results 87
Table 5.3	Long Run Estimates of ARDL Model 89
Table 5.4	Bound Test Results 90
Table 5.5	Short Run Estimates of ARDL Model 91
Table 5.6	Results of ARDL 92
Table 5.7	Optimum Lag Selection for ARDL Model 92
Table 5.8	Correlation Matrix 93
Table 5.10	Serial Correlation LM test 94

## LIST OF FIGURES

		Page No
Figure 3.1	GDP Growth under the Analysis of Inclusive Growth	46
Figure 3.2	Education	49
Figure 3.3	Health	52
Figure 3.4	Headcount (poverty)	54
Figure 3.5	Telecom	55
Figure 3.6	Transport	58
Figure 3.7	Sanitation	62
Figure 3.8	Gender Equity	64
Figure 3.9	Income Inequality	66
Figure 3.10	Employment	69

## ABBREVIATIONS

ADF	Augmented Dickey-Fuller
ARDL	Auto Regressive Distributive Lag
ECM	Error Correction Model
ECT	Error Correction Term
IG	Inclusive Growth
TR	Trade Openness
HC	Human Capital
PS	Political Stability
GFCF	Gross Fixed Capital Formation
OLS	Ordinary Least Square
SBC	Schwarz Bayesian Criterion
SIC	Schwarz Information Criterion
WDI	World Development Indicator
FRED	Federal Reserve Economic Data
OECD	Organization of Economic Co-operation and Development
CPEC	China Pakistan Economic Corridor

## **ACKNOWLEDGEMENT**

I am grateful to Allah Almighty for enabling me to complete the thesis. Hazrat Muhammad (S.A.W) has always been a source of inspiration for me.

I am thankful to the Head of the Economics Department Professor Dr. Syed Bashir Hussain for his kindness and sympathetic consideration. I am also grateful to my supervisor Dr. Saima Shafique and my co-supervisor Miss Zakia Batool whose guidance and support made this research work possible. Their contribution to this research work is immense. Without their guidance and support this would not have been possible. They supported me whenever I needed help in research.

I am also thankful to all my fellow mates who have been there throughout the research and were a great source of encouragement and motivation. Last but not the least; I am thankful to my parents and my siblings for supporting me throughout my life.

**SYEDA ALIZA JAFFERY**

## **CHAPTER # 1**

### **INTRODUCTION**

The issue of increasing poverty and income inequality in developing countries has become focus of attention for researchers and policy makers. Over the past few decades, the efforts are directed towards “inclusive growth” particularly in the growing nations. In case of Pakistan, a large portion of population yet resides below the subsistence level. Rising inequalities show that the expansion of GDP is unstable and unequal and the gaps are expanding at a high place. A small section of the people is getting benefits from the growth process. A large section of the population has lack of fundamental necessities. Most of the people are deprived of basic education and health facilities. In Pakistan, the prevailing income disparity has adversely affected human development. Among the needy, several social as well as economical signs indicate disadvantaged clusters that live in rustic areas and less benefitted from the economic growth.

Income inequality can obstruct the growth progress because the increasing disparities create restlessness in the youth and it is the cause of many social evils. Such social evils affect the productivity of working class negatively. In this context, decreasing income disparities has turned into a foremost need of development approach over the world particularly. Until now, the growing nation have their main focus on inclusive growth and it makes sure an equivalent and balanced access among every segment of a nation and marginalized groups as well. In a viewpoint, inclusive growth is considered to be an approach that can handle both the growth problems and inequalities. Furthermore, the concept of inclusive growth ensures that it is an economic growth that is distributed fairly across society and creates opportunities for all (OECD)

Growth is inclusive when it allows all segments of society to participate in and contribute to the growth process on equal basis regardless of their individual circumstances.

The Europe 2020 approach has the idea of inclusive growth at its center. In this scenario the growth is supposed and recognized as a process that allows the population to contribute in the economic growth by means of increasing level of jobs, fighting poverty, modernizing labor markets and to support and safeguard the population and make an organized community. On the other hand, a necessary perspective is that the benefits of growth should be equally distributed in the whole nation. It is all about ensuring equal income distribution for everyone in the society. In the perception of IMF, inclusive growth recommends to have equal distribution of benefits of growth, the employment opportunities, better access to education and healthcare facilities and significantly stress-free access to financial services. Regardless of a decrease in absolute poverty, trends and patterns of growing inequalities in developing economies passionately call for a quick focus on inclusive growth strategy that is suggested by IMF (EU framework program for research and innovation)

There are many economic variables which can influence inclusive growth. Some of the economic variables are trade openness, political stability, financial inclusion, macroeconomic stability, human capital and gross fixed capital formation. Among these variables, trade openness is one of the strongest variables that can significantly affect inclusive growth. It is debated that trade openness has positive and strong relationship with economic growth, development and income distribution (Mouël, & Vijil (2011). Trade openness is usually measured as an essential or the fundamental tool for rising economic growth in the whole world. The exports of the nations have extremely changed the economies, and thus, these nations have additionally encountered the quickest increase in GDP. Hence, the relationship between trade openness and economic growth

has broadly evaluated in the nations and it remains questionable between strategy makers. It is being observed that, there is a strong agreement that the strategy of trade openness and greater proportion of trade volume to GDP is significantly associated with economic growth. Various emerging nations are freeing the economies to turn into fascinating place for trade and investment. The trade openness tenure can raise the effectiveness and productivity of investment and further boosts the magnitudes of markets.

Trade openness is considered to be the most significant tool for upgrading economic growth in all nations of the world. Today, it turns into the essential objective for any nation to gain the economic growth which is highly desirable. Trade openness has been discussed regularly by the economic planners for many years. Baldwin (2004) conducted the empirical study and explained the positive relationship between trade openness and economic growth. The openness of trade is the important component of globalization which has been explained as the increasing interaction of any economic systems, with the growth in international trade and other economic variables. This integrated economic framework is associated with the growing production, promotion of goods and services and the related developing commercial activities.

Trade openness and income distribution have identified an important anomaly. The countries which are labor abundant in a global sense may see that wages decline with openness if they are capital abundant in a local sense. Trade liberalization improves aggregate welfare but the gains are small and unequally distributed. Greater openness to world markets can affect income distribution between and within countries. If trade openness worsens the distribution of income it would not contribute to poverty reduction,

Political stability and inclusive growth are deeply interconnected. The relationship between economic growth and stability refers to the manner in which the political stability of a nation can

lead to its economic growth. As stable political environment fosters economic growth and may increase investment and speed of economic development. When the country's political environment is volatile, this will deter investors, foreign trade and economic development. A company or an individual, whether local or international, will feel comfortable, making any kind of capital investment, in any country where political climate is stable.

Given the importance and significance of inclusive growth for economic development, this study is essential to analyze inclusive growth by focusing on gains and enhancements for welfare of people. For this purpose, inclusive growth indexes have been developed for the period of 1980 to 2016 by combining different economic and social indicators.

Therefore, the goals of the study are to see the impact of trade openness and political stability on inclusive growth in Pakistan and the construction of inclusive growth indexes with the help of economic and social variables.

### **1.1 Statement of the Problem:**

Inclusive growth is very important for progress of any nation as the purpose of inclusive growth is to decrease poverty, unemployment and income inequality. Without reduction of these the economic growth can't be inclusive and a country can't achieve inclusive growth without focusing on trade openness and political stability. So this study will see the impact of trade openness and political stability on inclusive growth in Pakistan.

### **1.2. Hypothesis:**

1)  $H_{0a}$ : There is no effect of openness of trade in promoting inclusive growth in Pakistan.

$H_{1a}$ : There is significant effect of trade openness of trade in promoting inclusive growth in Pakistan.



2)  $H_{0b}$ : There is no impact of political stability in promoting inclusive growth in Pakistan.

$H_{1b}$ : There is significant impact of political stability in promoting inclusive growth in Pakistan.

### **1.3. Research Questions:**

1. What is the effect of trade openness on inclusive growth in Pakistan?
2. What is the effect of political stability on inclusive growth in Pakistan?

### **1.4. Objectives of the Study:**

The objectives of the study are as follows:

1. To construct an index of inclusive growth of Pakistan for the period of 1980-2016.
2. To see the impact of trade openness on inclusive growth in Pakistan.
3. To see the impact of political stability on inclusive growth in Pakistan.

### **1.5. Significance of the Study:**

Therefore the purpose of the study is the construction of indexes of inclusive growth with the help of different economic and social indicators and to determine the effects of trade openness and political stability. Many previous studies like Aslam.M (2012), McKinley (2010) also have constructed the indexes of inclusive growth and some of the researchers see the impact of fiscal and monetary policies on inclusive growth. This study is different from others in such a way that this study is analyzed with two most important variables political stability and trade openness that affect the economy and inclusive growth as the importance of trade openness is increasing

day by day due to CPEC (China Pakistan Economic Corridor) as this project is aimed to connect the economies for commerce, industrial and agricultural development and for trade.

### **1.6. Organization of the study:**

The research is organized in various aspects to trace out the effectiveness of trade openness and political stability on inclusive growth. Chapter 1 introduction consists of the problem statement, hypothesis, study objectives, questions about the research and importance of the research. In the very next chapter comprises of many previous studies on inclusive growth, trade openness, political stability, gross fixed capital formation and human capital are reviewed. In chapter 3, analysis of the trends of variables has done. Chapter 4 consists of the description of data, methodology, definitions of dependent and independent variables. Impact of openness of trade and political stability on inclusive growth is analyzed by application of some econometric techniques. In chapter 5, results of estimation techniques are demonstrated and explained. The last chapter consists of final statements, comments and the policy implications of this research. In the last, there come references.

## CHAPTER # 2

### REVIEW OF LITERATURE

#### **2.1 Introduction:**

Many studies have focused on the relationship between trade openness and economic growth or political stability and economic growth and the findings are mixed extensively. The different results may be due to the different economic structures of the specific countries studied. In this study literatures related to economic growth, trade openness, political stability, human capital, and gross fixed capital formation are discussed.

#### **2.2 Literature Review Related to Inclusive Growth:**

Pakistan has faced many problems but in 2007-2008 they became severe, a falling rate of financial development, a twofold digit inflation, vitality emergency, oil crisis and poor law and order circumstance. In this regard, the existing financial circumstances have negatively influenced the endeavors concerning poverty ruination. The idea of comprehensive development was measured at first utilizing access to circumstance, for example, instruction for nations like Philippines [Ali and Son, (2007)]

For the time being, a more wide-ranging measure to conceptualize inclusive growth is achieved. Utilizing income and non-payments of prosperity, for example, access to training and wellbeing, sustenance, and social joining, the creator proposed a decrease in an imbalance in the non-income measurement of prosperity as a degree of consideration. Nonetheless, this measure is hard to process due to the non-availability of the few non-income people required, predominantly in the developing nations. [Klasen, (2010)]

To restate the definition and clarification of inclusive growth given by the Catholic aid agency for England and Wales, the concept is somewhat widespread thinking about the problems of joblessness, poverty, and imbalance. The time when the world combines in the current situation is on lessening poverty. In this case, the issue of underestimation is a principle as in each area and the group would claim to be minimized if the measure of inclusive growth is concentrating on the most underestimated. Moreover, it would be problematic to get for the most suitable conditions that can be used to order a specific segment of the nation as the most diminished. For the inclusiveness, the advantage of development must be fair as it enchanted together by every citizen including the rich, the close rich, the working class, the close poor, and poor people. [CAFOD, (2014)]

Growth is inclusive when it opens financial doors alongside guaranteeing rise to access to them. Inclusive growth is a growth that can lessen neediness and permit the masses to take part in economic growth and get the perks and advantages from the process of growth. They indicated that speedy growth is unquestionably essential for a significant decrease in destitution but for growth to be sustainable in the long run should be broad-based across the sectors and inclusive of the large part of the country's labor force. Growth Report (2010) notes that inclusiveness is a concept that encompasses equity, equality of opportunity and protection in market and employment transitions. Growth is broad if it assists in a tremendous increase in employment and increasing wages. [Ianchochina & Lundstrom,(2010)]

If economic growth is not shared throughout the society, the development has failed. Inclusive growth in the economy can only be achieved when all the weaker sectors of the society, including agriculture and small-scale industries, are nurtured and brought on par with other sections of the society in terms of economic development [Swarmy,(2010)].This compelled the

need for broad-based growth. The growth is broad-based in which the needy people not just get profits but also engage in the procedure of growth. It does not just create recent productive opportunities as well as guarantees the equivalent access to them, especially the needy people.

Asian Development Bank [ADB, (2011)] defined inclusive growth as financial development that results in a more extensive access to supportable financial open doors for a more extensive number of individuals, areas or nations while securing the defenseless, all being done in a situation of decency, rise to equity and political majority. [Goyal, (2012)] contended that inclusive growth has turned into the administration's goal, yet faces off regarding having refined the significance of the term, as making conditions for the majority to add to and take an interest in development. This requires star poor development, access to quality open administrations and occupations. Cases of government activities that can add to dynamic incorporation are enhancing foundation, money related consideration, wellbeing, and training, an innovation the poor utilize and open administration conveyance.

[McKinley, (2010)] developed a composite inclusive growth in case of utilizing appropriate indicators in the zones of (i) development, gainful business, and monetary foundation; (ii) pay destitution and value, including sexual orientation value; (iii) human capacities; and (iv) social security. It utilizes this index to introduce an indicative or suggestive approach, in light of weights and scores, which can enable nations to survey their advance in accomplishing comprehensive development. The composite record was utilized by the Asian Development Bank (ADB) as a beginning stage to analyze how to expand its benefit for a nation's comprehensive development destinations. The suitability of the approach was tried in the event that investigations of Bangladesh, Cambodia, India, and Philippines. Thus our investigation took after the approach and build composite list for analysis of Nigeria's inclusive growth.

As a measure of inclusive growth, various structures have been advanced by researchers crosswise over nations without an all-around acknowledged indicator for the idea. For instance, the rule of social welfare work was built by to gauge comprehensive development. The creators confronted that financial development is comprehensive if the social open door work is upgraded. By the social open door, [Ali & Son, (2007)] utilized well-being and instruction availability in connection to wage distribution to demonstrate whether there is a genius poor social change or not. In this manner, by suggestion, if the pay is equitably distributed such that the poor have an improved access to well-being and training, at that point growth is inclusive.

Inclusive growth is of great importance in today's global economy, offering an opportunity to instantaneously alleviate inequalities and stimulate economic growth, when implemented successfully. (Inclusive Innovation for Inclusive Growth, 2013) Overlapping in some regards with a discourse on corporate social responsibility, social inclusion, and base of pyramid strategy, the core idea behind the inclusive growth is popularizing rapidly: that "governments and corporations can practice growth strategies that encompass equity, equality of opportunity, and protection in the market and employment transitions". [Ahmad, (2012)] A report by the Commission on growth and development advocates that persistent, determined focus on inclusive growth is an important policy for most governments and one of the primary ingredients of a successful development strategy.

Although most writing contextualizes inclusive growth to rising economies, where the divergence amongst rich and poor is more critical, its systems can likewise be gainful in created economies, particularly in areas of specific need. [Rauniyar & Kanbur, (2009)] consider that a growth that is linked by decreasing wage disparity is comprehensive in quality. The writers presented distinctive components fundamental for broad-based growth moreover advancement

comprising supportable and equal development specifically expansive based crosswise over segments and districts making greater work open doors for poor and helpless gatherings, enhanced nature of foundation and horticultural innovations to give society monetary open doors, social security for burdened gatherings, limit building, control of law and empowering condition for business and project and open private organization to advance value and comprehensiveness.

Growth is inclusive if it supports high level of employment and rising wages. [Mendoza and Thelen, (2008)] indicate the obstacles that needy people experience in accessing and vigorously contribute in marketplaces as producers and buyers. Shortage of access to credit, confined investment in human assets containing talents and training, according to originators, it can be important reasons for exclusion of the needy people from labor and many product markets. The study again defines the function of markets in expanding economic growth and its advantages to those who are capable to access and contribute effectively.

Inclusive growth policies are mostly for the shared prosperity. It is all about changing the rules so that more and more people can contribute to and benefit from economic growth. Inclusive growth did not depend on a redistributive approach [Ali & Zhuang, (2007)]. However its objective ought to be high and practical development to make profitable and wonderful business open doors and in addition social consideration to guarantee rise to access to circumstances supports the creators accentuated that social consideration could be accomplished by putting resources into instruction, wellbeing and another communal administration to improve human abilities, advancing monetary and social equity and arrangement of social security networks to counteract offensive hardship.

The rate of unemployment must be reduced to keep a strategic distance from the lack of national generation and the misuse of human resource. Unemployment is altogether influencing GDP in Malaysia where 1 percent diminish in joblessness add to 1.75 % expansion in GDP. Variance in yield and joblessness depend upon fiscal changes it is a significant issue in today's macroeconomics approach (Karanassou & Sala, 2010). The problem of high unemployment may motivate political pioneers to limit national bank activity went for value adjustment if these activities intensify joblessness.

As indicated by monetary writings, one of the most fundamental components to achieve an economic growth is the venture and capital increase particularly in deciding the long run profitable limit of an economy since speculation contains new capital goods and capital stock will develop rapidly [(Romer, (2001)]. Concerning drove development causality, (Lean & Tan, 2011) recognized the restricted causal linkages amongst FDI and financial development in Malaysia.

Inclusive growth did not depend on a redistributive methodology however, it is ought to be high and manageable development to make gainful and good work open doors and additionally social attention to assure parallel access to circumstances [Ali & Zhuang, 2007)]. Encourage the creators stressed that social incorporation could be accomplished by putting resources into instruction, wellbeing and other social administrations to improve human abilities, advancing financial and social equity and arrangement of social security nets to stop astonishing hardships.

World Bank's Independent Evaluation Group (2008) has investigated the reimbursements of shock in rustic regions. The discoveries of the study suggest that there prevail rich inclination in such sorts of plans. The study includes on plans started by World Bank in recent time period



considerably likewise the features that poor destitute from these plans. Investigation additionally suggests country charge plans don't vow that the poorest and those living in borders regions of country and profits by this sort of surprise.

### **2.3 Human Capital and Inclusive Growth:**

The association between fast pace of economic growth and human capital is very strong. The policy makers have recognized and believed health as a significant element of human prosperity and saw it as an essential symbol. The originators have inclined to many of serious problems with reference to the huge monetary development of China and its effect on populace wellbeing results over last three decades [Tandon, Zhuang & Chatterji, (2006)]. The analysis similarly investigated the matter of inclusiveness in public wellbeing results. They have broken down the income of wellbeing offices to examine the degree of government's consideration towards the dented area of the general public.

Progressive economies have basically a longer history of utilizing monetary and fiscal policies to handle income inequality and advance comprehensive development than those in creating Asia. Therefore, as creating Asia investigates the more dynamic utilization of financial strategy for comprehensive purposes, it can gain from the encounters of cutting-edge nations. Those encounters unmistakably recommend that financial strategy can significantly affect inequality which gives some reason to idealism about its value advancing potential (Almas Heshmati, 2014). All things considered, that good faith ought to be strengthened by the diverse conditions of cutting edge as opposed to creating economies alongside the requirement for creating Asia to keep up financial supportability and economic growth.

The rising income inequality has turned out to be one of the important issues in recent times. A huge assemblage of writing has developed to examine the financial and social outcomes of developing imbalance alongside approach alternatives to handle the issue. (Bastagli, Coady & Gupta, 2012) While a great part of the discussion was based on the determinants of rising disparity globalization, work advertises changes, and innovative advance that supports exceptionally gifted specialists, the concentration or focus of the writing is moving to the issue of "what should be possible" to control inequality.

The most prominent finding that rises up out of the current literature is that fiscal policy can have a vast and huge effect on enhancing disparity and diminishing poverty. This is particularly effective for economies with high beginning levels of pre-tax and transfers inequality [(Bastagli, Coady & Gupta, (2012)] although, it stays unclear and elusive whether the prime goal of financial approach in OECD individuals is income redistribution [OECD, (2012)]. Regarding the exchange of or integral connection amongst development and value, unique kind of financial strategy choices had diverse impacts uneconomic development. While the adjust of the proof finds a solid impact of monetary arrangement on pay redistribution, a few analyses find that redistributive assessments can deliver economic inefficiencies, for example, impose avoidance and disincentives to work.

The Asian Development Bank (ADB) has asserted a new nation (participation approach (CPS) with Pakistan for (2015-2019) with a temporary help of at any rate \$1.2 billion a year all things considered, which will concentrate on foundation renovations and institutional changes. "The primary test in Pakistan is to convey higher, managed, and comprehensive development to eliminate neediness and make beneficial occupations for the developing workforce. The push of the recent organization will help the administration to enhance availability, profitability, and

access to business sectors and open services. Pakistan is on route to attain the development goals for reducing wage neediness however it is inappropriate on a few goals and improvement general stays irregular and beneath the ability. Endeavors to diminish & rebuild financial shortages must keep on providing more room for advancement and contribute to the framework or societal services (Asian Development Bank, 2015)

A method of inclusive growth is diverse from the former pro-poor growth strategies that are involved in providing advantages and benefits for destitute. In absolute explanation, growth is pro-poor if the earnings of needy grow quicker than other people that recommend that disparity decreases; endowed earnings of the rest, corpse equal or widens a reduce rate than that of pro-poor (Kakwani & Pernia, 2000), (Kraay, 2004), (World Bank, 2005) Pro-poor growth works has conventionally motivated on estimating & evaluating the influence of growth on destitution, decline by pursuing numerous neediness steps & methods (Eastwood & Lipton, 2002), (Ravallion & Chen, 2003), (Ravallion, 2004), (Lopez, 2010), (McKinley, 2010)

The main and significant objective of the policy makers is, reducing poverty. And it has raised the consideration after the development goals were acknowledged. Destitution relies on disparity and growth; however, the association among neediness, income disparity, and growth are not meek. In accordance with the hypothesis of (Kuznet, 1955), disparity start elevates among growth, but after that declines as the advantages of growth trickle down to the needy people (Deininger & Squire, 1996), (Ravallion & Chen, 1997), (Dollar & Kraay, 2002). Nevertheless disagree that growth has no effect on disparity. (Kaldor, 1956), (Li & Zou, 1998), (Forbes, 2000) indicates that disparity leads towards growth, & (Alesina & Rodrick, 1994) prove the discrepancies can influence growth unfavorably.

There is a growing responsiveness of inclusive growth between policy makers in several nations, organizations and non-governmental associations addressing the deficiencies of prioritizing exclusively economic growth and guaranteeing that the advantage of development is enjoyed by all. Organization for Economic Cooperation and Development defines inclusive growth as a circumstance where the gap between the rich and needy is less articulated as well as profit of development is taken part fairly that outcomes in enhancements in expectations for everyday comforts and results that issue for individuals' personal satisfaction (e.g. great wellbeing, employment and aptitudes, clean condition, group bolster). A few financial factors, for example, outside of speculation, expansion, net settled capital development, genuine fares, genuine imports, funds among others influence the comprehensiveness of development in a nation. Be that as it may, understanding the deciding factors of comprehensive development in Nigeria is essential to distinguishing basic territories to coordinate accessible assets. (Ibukun Cleopatra Oluseye & Aremo Adeleke Gabriel, 2017)

Inclusive growth is one of the key difficulties confronting nations over the globe, despite beginning conditions, especially following the 2008 worldwide economic crisis. The paper looks for links between the nature of organizations, financial arrangements, monetary development and business creation in low-income nations. While its outcomes are reliable with the previous literature, the paper recommends that re-concentrating financial arrangements on per capita genuine GDP development may yield business profits; however all around involvements might be required to cater for the jobless and to assist vulnerable groups (Francis Y. Kumah & Mathew Sandy, 2013)

Various recommendations have put forth in the past to create a key reflecting either human improvement or the level of prosperity. Some of these recommendations did exclude a measure

of income per capita which incorporates measurements of nourishment, housing, health, education, wellbeing, condition and the physical quality of life index (PQLI) which incorporates newborn child mortality, literacy rates, and lifespan. With regards to Pakistan, we rank greatest score indicators and observe the level where we stand in terms of economic development. (Morris, 1970).

OECD made an inclusive growth structure in 2013 which proposes an arrangement of eleven monetary and non-monetary measurements which are necessary for the prosperity of a society. A set of dimensions and measurements could be chosen from this system to describe inclusive growth. For example, they could incorporate the factors which are income and wealth, training, aptitudes and employment, social associations, civic engagements and, and environmental quality and so on. There are a few kinds of indexes of monetary and social prosperity created by the Center for the study of living standards (Sharpe & Osberg, 2002). Hence we investigated some essential indexes of economic growth utilized for the advancement of inclusive growth index.

Sustaining and accelerating the course of poverty reduction requires venturing up efforts for inclusive growth. Past experience in developing Asia exhibits the basic critical significance of inclusive growth for poverty reduction. By enhancing the access or connection of the poor to business sectors, expanding efficiency, and making further open doors for work, inclusive growth standards the poor to effectively take an interest in the growth procedure, accordingly adding to raising their ways of life. The imperative strategy for inclusive growth can't be overemphasized as developing Asian economies stand up to the proceeding with difficulties of globalization, structural transformation, and the requirement for locally balanced growth inside a nation. (Ali & Yao, 2004)

The performance of infrastructure is an empowering factor for inclusive growth and sustainable poverty elevation. Quality of infrastructure is a fundamental component of the business and investment for catalyzing household private venture and foreign direct investment, receiving new advancements, and raising profitability. This is hazardous for those developing economies/nations for which significant growth has been hampered by deficiencies of investment and innovation. Significant infrastructure investment is fundamental to smooth out the proceeding with auxiliary change (structural transformation) of developing Asia, and especially, to help technological advancement in the agriculture and to create rural economies. It will generate strong and effective opportunities for employment generation. (Ali & Yao, 2004).

The main element of the inclusive growth approach is to improve of rural economies as well. The pace of agriculture growth should be quickened fundamentally through innovative (technological) change. Domestic demand for agricultural output needs to develop more quickly through increase growth in rural employment. The need for goods and services produced by labor-intensive procedures should increase also. Together, they will maintain the advancement of agriculture and rural economies in a righteous cycle that opens the opportunities for productivity improvements and employment generation (Mellor, 1986).

Inclusive growth is a growth that can achieve and share fairly by all sections of society. Inclusive growth might be comprehended as a general idea addressing growth, poverty and inequality. This paper investigates the linkages between trade, investment, and inclusive growth. A nation's level of participation in the local and worldwide economy and regardless of whether it is a piece of global value chains generally decides impacts on poverty, and inequality. The paper presumes that international integration can promote inclusive growth when laborers and firms can choose

themselves for the activities they need to participate in and when firms can accept predominant external technologies and expertise (Kamel, 2013 & Manisha & Sunil)

The role of the infrastructure in the economic growth process and development can't be overemphasized. Infrastructure is one of the important factors that decide the growth of an economy as well as the supportability of such growth. To grow for an economy, some of its assets must be redirected from current utilization towards consumption in infrastructural facilities. Infrastructure represents to that capital stock that gives public goods and services. It has extraordinary effects on production activities personal satisfaction and quality of life for the whole society (MacDonald, 2008)

The economic struggles must continuously target to offering a fine living to the residents of a nation hence they can contribute to the nationwide progress of the country and can live happily. It's not just the increasing growth facts and figures that advantage a nation but the decreasing impact of national growth and development of the country and issue even more to the creation of same things for all residents and the reduction of destitution. Earning distribution of Pakistan shows a clear picture where it raises class disparity, poverty, and poor human development and so on. In a way, it devours overall growth and development of the nation. Neediness is a severe threat for Pakistan because it illustrates itself a complicated and difficult way whose threads are interlinked with the problems of illiteracy, earning disparities, and a shortage of access to amenities & imperfect and unreliable strategies (Yaseen & Mujtaba, 2011).

The development is productive if its benefits are dispersed in the same way. Or else it traps a population in the vicious circle of poverty. In this way growth attached with equal dispersion is important for overall development (Sarvalingam & Sivakumar, 2010). This circumstance changes the developmental ideas from the mere extension of goods, services as well as per head

income upsurge to the enrichment of human well-being. The whole nation, particularly the previously-underprivileged ones, might be able to attain social and economic welfare. Thus the growth of an economy means to an end for human development (Sims & Mujtaba, 2005). What actually matters is the distribution of economic gains in fields which give enlargement to development of human beings, most prominently reflected by the change in income distribution pattern. Consequently, profits of growth dispersion must be on an equal foundation to encourage welfare and curb neediness which is a severe threat to the firmness of the economy. (Hasan, 1997).

In economic literature, there has been ample work, which highlights the connection between the trade openness and GDP growth. (Jin, 2000) emphasized that the eradication of trade barriers help to sustain the economic growth rate by improving effectiveness and return economies. Furthermore, trade liberalizations can improve original technology which will lead to more efficient production, and thus productivity will increase. (Levine & Renelt, 1992) defined the relationship between the GDP growth and trade openness by emphasizing that the trade liberalizations may offer a greater access to capital goods. (Sukar & Ramakrishna, 2002) stated that external sector openness decreases the burdens to international trade and such countries can experience competitively higher GDP growth rate. It is commonly believed that an open trade management is important for economic development.

An emphasis on ensuring gender equality has been familiar globally, containing the areas of Asia and Pacific. Basically, all nations in the area are parties to the Convention on the Elimination of All Forms of Discrimination against females, and gender equivalence is obviously ensured in many compositions and structures (ADB, 2006). Certainly, the region has made outstanding improvement in decreasing gender disparity over the last some decades. Nonetheless, females go



on underprivileged and needy in access to resources and economic possibilities, main human privileges, and constitutional voice (World Bank, 2007). Gender injustice precisely impacts on the welfare and prosperity of females; therefore, gender equality is a justifiable strategy target in its own right. At the same time, development partners of growing states progressively recognize the act of gender equality and female consent like a strong and forceful means to stimulate poverty reduction and development. (ADB, 2007) & World Bank, 2008).

The trade proxies are rethought by exports as part of GDP as a indicator of trade openness as well as growth connection in case of Argentina, Colombia and Peru employed time series data & Granger causality techniques and impulse response function. (Awokuse, 2008). The examination exposed the exports-led growth hypothesis in Argentina and Peru. (Rao, 2009) evaluated the influence of liberalization of trade on economic growth in Fiji island and determined that trade liberalization donates economic growth considerably and to entire factor efficiency. (Daumal & Ozyurt, 2010) discovered the association between economic growth and trade employed the data of 26 states of Brazil. Their outcomes announced that trade liberalization has a positive influence on the growth of the economy by enhancing the quality of humanassets.

In the realistic literature, repudiating outcomes concerning the influence of international trade openness worldwide integration on growth, disparity and destitution occur. The integration did not lead to poverty reduction in the country (Anwar, 2002). Hypothetically they depend on a way that crosswise nations, dimensions of trade are confirmed with a huge diversity of other features that may matter for the growth of the economy, and it's hard to govern sufficiently for all aspects for the purpose to separate the incomplete influence of trade on growth. (Levine & Renelt, 1992) analytically inspected a matter for a great count of variables employed in observed growth studies and determined that magnitudes of trade are not vigorously associated with growth

(Rodriguez & Rodrik, 2000)] used the identical circumstances for the influence of trade on growth, moreover reached on related outcomes.

The additional disagreement on behalf of the beneficial influences of trade openness decrease and proposed by (Bhagwati & Srinivasan, 2002), who bring up that if nation requires sustaining progress with export-related methodology, that is, if a nation needs to depend on trade liberalization, it will retain a structure of macroeconomic constancy. Hence firmness supposes less inflation, it is another frequency from that trade influences needy definitely, from the deprived have a tendency to be the toughest hit by elevated inflation.

The further hypothetical argument with assistance is of the view that global trade encourages to a constant world wage disparity (through a reduction in destitution) without diminishing returns in production and technological spillovers (Acemoglu & Ventura, 2002). This is on the grounds the specialization and trades introduce decreasing returns to asserts accretion at the country level, however, these stay persistent globally. Likewise, cross-country deviation in economic policy, as well as, technology provides to establishing the growth rate of the world. The pattern of the world wage dispersion is thus influenced by the level of liberalization to trade globally as well all nations grow at the equal pace (in view of terms of trade influence) with different wage levels resolved by the use of other technologies. In case of Pakistan as it has a specific level of technology ahead with economic energy for FDI and export based strategies linking with other growing nations.

An income effect among monetary development and trade openness was also noticed. For instance, (Gries, 2009) detected a powerful bi-directional interconnection between trade openness and fiscal development in SSA. (Polat, 2015) noted the presence of a feedback effect

between financial development and trade openness was detected in South Africa both in the long and short run. In addition, (Yucel, 2009) observed a feedback effect between trade openness and financial development in Turkey. Other earlier studies which found similar results were done by (Lawal, 2016).

A significant association between trade openness as well as economic growth was found by (Warner (2003). Another research of (Wacziarg & Welch, 2003) assist the trade openness policies and infer that over the year (1950-1998), after trade openness, the year-wise rate of growth of the economy has 1.5 percent points up for nations with help of open trade policies. (Karras, 2003) utilized the data in 161 countries. He detects trade liberalization (exports plus imports divided by GDP) has a positive impact on economic growth of the economy, a 10 percent rise in trade liberalization measure upsurges GDP by 0.25 to 0.3 percent. The trade liberalization has a positive influence on the growth of the economy in the case of advanced nations but in conversely, its negative influence on economic growth in emerging nations (Kim, 2008).

In the situation of 46 nations, (Huang & Chang, 2014) observe a relationship among trade openness, monetary development, and economic growth. They determine that progressive development of the stock market and more liberalization of trade will raise the growth of the economy; although a turnaround in nations, there exists less is less development in the stock market. (Zarra-Nezhad, Hosseinpour, & Arman, 2014) determine that pointers of external trade have a significant impact on the growth of the economy, regardless of development pattern by utilizing statistics of round about 94 nations with 103 variables.

Conversely, in the situation of 82 growing nations that trade openness policies are powerless, provided to the growth of the economy is found (Fenira, 2015) and the decay of outer balance evoked by 'inclinations disintegration “circumstance”. (Brueckner & Lederman, 2015) analyze the relationship among trade liberalization and growth of the economy in Sub-Saharan Africa through applying the variables which are helpful. They detect that evaluated outcomes by useful variables show that growth of the economy has a diverse and contemporaneous effect on trade openness; through trade liberalization is completely associated to a growth of economy due to developing nations. (Tahir & Azid, 2015) detects a positive connection between economic growth and liberalization of trade.

The effect of industrial region, importations on real GDP as well as an occupation is examined while utilizing data set for 1979-2002. (Carmen & Pilar , 2004). In case of China they determined positive as well as and long run association between economic growth and trade openness. In view of Pakistan, the long- run relationship between trade openness and growth of manufacturing sector was detected by (Dutta, 2004). As liberalization of trade openness is significantly related to the growth of the economy and recommends further openness for durable growth (Khan & Qayyum, 2007).The statistics of many manufacturing and non-manufacturing nations is used with the purpose to examine connection among global trade and economic well-being (Guisan, 2007). He detects the significant effect of foreign trade for the economic development of manufacturing as well as non-manufacturing nations.

In India and China trade openness increases economic growth under a panel model set-up (Marelli & Signorelli, 2011). Though, while doing an investigation of panel data with India plus China is a doubtful procedural option for both of these countries possesses relatively various experiences of expansion. China stands out because of its impressive expansion in the

manufacturing sector that was worked by its quick decrease in hurdles in trade and quick support for inflows of FDI (Bosworth & Collins, 2008). Then again India's speedy growth has been basically because of extension in services zone.

In case of India, the analysis of time series is used and further detects that trade openness has an insignificant effect on the growth of India (Sarkar, 2008). The study employed exportation and importation as a proportion of GDP as a substitute for liberalization. This conclusion of just one indicator of liberalization is problematic because the indicator only concentrates on volumes of trade and not on trade strategies. It ought to be recognized that the biggest task in this field for the exploration is to provide an obvious meaning as well as an explanation of "liberalization of trade" (Yanikkaya, 2003). Various analyses have used different estimations for trade liberalization; just a few have focused on the complete volumes of trade, whereas several have fabricated indicators of liberalization based upon trade hindrances.

Trade openness and human capital have a significant association with economic growth (Rabinson, 2013). Autoregressive distributed lag (ARDL) approach is utilized to check long-run association between prescribed variables; Granger causality test applied to evaluate the causal relationship between of trade liberalization. Physical capital, human capital and Real Gross Domestic Product. Trade openness, Gross fixed capital formation has an important effect on the economic growth of Pakistan is determined by (Shaheen & Kauser, 2013).

The influence of trade openness, capital formation, and economic growth has investigated by (Hye, 2011); Arif & Ahmed, 2012). The study inferred that there exists a bidirectional significant relationship between the trade openness and GDP growth of Pakistan. The capital formation and human capital have a significant relationship with economic growth (Mustafa & Rizov, 2017)].

Trade openness has a negative relationship with economic growth. Trade openness, gross fixed capital formation capital stock, and the population has a positive and significant impact on economic growth of any nation determined by (Hosseini & Leelavathi, 2013)

The numerous researchers explore connection among human capital and economic growth. A positive relationship between the human capital and economic growth is supported by (Savas, 2003), (Furuoka, 2009), (Furuok & Munir, 2011). Though, a rise in the rate of population growth causes a decline in economic growth is described by (Trang & Hieu, 2011). There exist a negative association between the population growth and economic growth in Pakistan and the rapid growth in population leads to decrease in the savings rate and investment growth because resources are economic development in Pakistan (Afzal, 2009). It is assumed that trade openness, investment, and population does have a generous impact on economic growth of Pakistan.

Similarly, removal of trade restrictions helps to stabilize the process of development by improving efficiency and return economies from twisted factor prices to production frontiers. In addition, trade liberalization will enhance domestic technology, process of production will be more effective, and subsequently, productivity will increase (Jin, 2000). Trade openness and growth associations may occur through investment and trade openness may provide greater access to investment goods (Levine & Renelt, 1992). The nations that liberalize their external sector and decrease weaknesses to international trade can experience relatively higher economic growth. It is generally agreed that an open trade regime is essential for economic growth and development (Sukar & Ramakrishna, 2002). The main objective of both liberalization policies is to raise productivity through reducing inefficiency in investment.

The political stability is significantly essential for the achievement of national identity, for instance, political development of state and national incorporation that has a direct impact on the arrangement of political groups. The improvements in modern nations happen because of differing levels of governmental firmness. “This can be viewed as an imperative to sustain unity, coherence, persistent legitimate well-being, preservation of government organizations and ownership of municipal order” (Michael, 1971). It is regularly employed to suggest to constitutional political fairness. There are, obviously, other sorts of governments which have generally steady political systems. For example, as in China, Egypt etc.

The nationwide economies are expected to be different in case of demand and supply for human assets hence in the view of unmistakable organizations. However, many observational studies have been involved with cross-section or panels of immense numbers of nations, consequently overlooking economic-level organizational differences. A time series research nationwide suggests a way of eradicating or decreasing diversification (Durlauf, Johnson & Temple, 2004). Consequently, present research measures a model of time series of human capita and economic growth for Pakistan over these years (1960-2003). Like an economy with fewer wages that has invested comparatively less in human assets about the time period of past 40 years, Pakistan is mainly supportive for awareness about the connection with economic growth (Husain, Qasim, & Sheikh, 2003).

The investment in higher education in advanced countries has a more noteworthy effect on growth as compared to developing countries has demonstrated (Aghion, 2009). In developed nation’s investment in higher education united with improvement in the mechanism that inspires these countries to develop quickly. Human capita and economic growth have been estimated in many other studies utilizing different approaches. In the past researchers, the time period of

schooling has been utilized as a proxy for human assets by evaluating Mincer equation (Nasir, Nazli, 2001 & Behrman, 2008). Consequences of these studies, the influence of different other levels of schooling has various effects on growth. An outcome of the researchers indicates that the involvement of human assets in the growth of the economy is more prominent as compared to physical capital.

The developing countries have weak infrastructure combined with the absence of modern assets and less technical development has an obstacle to the effective use of immensely educated employees. According to Pakistan, various researchers have been directed to examine the part of instructive level on growth of the economy. (Husain, 2015), (Ali, 2012), & (Jaleel & Idrees ,2013) evaluated long run association among human assets and economic growth in case of Pakistan by employed time series data fluctuating for each research. Effect of the researches finds that there exists powerful part of human assets on economic growth of the economy. Thus, (Afzal, 2010) & Kakar, 2011) detects long-run relationship among expenditures spent on learning and growth of the economy of Pakistan.

The human capital is not confined to learning. Welfare has been observed to be a significant as well as positive supporter of the growth of the economy in so many models related to cross-country. (Bloom & Canning, 2000, 2003). Estimated basically as lifespan, well-being, human assets might influence growth of the economy in few manners. If individuals survive for long, in this way they may preserve more for elder age. Longevity can also help alternative for the health status of health for the entire populace because the decrease in death rates are linked with a reduction in sickness. Vital as human assets may be, it would not donate to the handover of technology, in conversely to schooling, knowledge, and teaching.



Quarterly time series statistics analysis for the year of (1971-2006) is employed to review the influence of gross fixed capital formation on macroeconomic variables (Arby, 2004) & Bengalwali, 1995). The two-sided relation between gross fixed capitals formations, national accounts as well as real the growth of Pakistan from the supply side of some economic sectors are conveyed (Kamal, 2004). The product flow approach to determine the relationship between gross fixed capital formation and national income accounts using time series data is used (Farooq & Batool, 2007). To find out the relation of an annual number of a gross fixed capital formation with a series of generated economic segments like furniture and fixture, metal and non-metal, production and manufacturing industries is examined (Ayaz, 2006). The change in gross fixed capital formation and its impact on the output is studied (Khan, 1988). The impact of human gross capital formation and economic growth of Pakistan for the period of 1972-2010 is examined (Sajid, 2012). The part of the gross fixed capital formation in the economic development of Pakistan is determined. (Abbas, 2001)

At the stage of microeconomics, investigations hold commonly detected a stable and powerful association among incomes as well as an instructive achievement; macroeconomic researchers bring about the clashing results. Initial analyses comprise those of (Mankiw, Romer, & Weil (1992), (Barro & Sala-i-Martin, 1995) identified an important relationship among different nation's discrepancies in the early stage of learning and successive growth estimates. A research of a phenomenon recorded the superior quality of human capital like dominant component after the quick progress of many Southeast Asian nations.

Though other analyses, together with those through (Bils & Klenow, 2000), (Pritchett, 2001), inspected significant connection between education as well as transforms in economic growth unsuccessful. (Bosworth & Collins, 2003) ignored to locate a vigorous connection between

quality of education and growth, especially unable to differentiate learning value from overall opinions of the condition of institutions. A few analysts propose connection among growth as well as education probably pathetic by reasons of profits of learning, not completely recognized because of incorporate enhancements into learning thereby other essential foundations in the procedure of growth. To be precise, the formation of talents offers fewer advantages supposing the structure and establishments do not endure to get benefits from them. In a simple notion, there is a correspondence between the progress of human assets as well as any further growth elements.

#### **2.4 Inclusive Growth and Investment:**

The part of the investment in the method of growth of the economy has a matter of enquiry of a flourishing structure of conceptual as well as experimental studies both. The beginning stage as features of writing is thought that movements made by authorities have an impressive impact on macroeconomic execution. For example, level of communal investment can influence individual investment in the measure of growth. A way that communal speculation is generally non-exclusive intake recommends overabundance impacts; it's about accentuated by the internal growth patterns together with (Romer, 1986) & (Barro & Salai-i-Martin, 1999). The patterns take into consideration chance of outer impact from that communal investment might have an impact on growth of the economy.

The relevant significance of public as well as individual personal investment leads to advancing growth of the economy for an extensive gathering of growing nations, is explored [Khan (1996)]. The consequences of the study indicate communal and personal investment has a differed effect on economic growth, with private investment possessing a greater influence than communal

investment. Additionally, important territorial deviations are detected in the respect of effect of both communal as well as individual investment contribution. (Devarajan, Swaroop, & Zou, 1996) stress on creation communal expenses and indicate prevailing communal expenses has significant as well as important growth impacts; so impact of assets elements of communal expenses on per-head growth is also unfavorable.

A study examined the association among FPI, capital formation, and economic growth, utilizing the two-stage least squares (2SLS) method of estimation in Nigeria. (Orji, 2011). Investigation detects that the long run influence of capital formation and foreign private investment on the growth of the economy is greater than their short-run influence. In this way, a long-run equilibrium relationship among the variables as the error correction term is significant; however, adjustment speed is less in both models. In their outcome, the two-stage least squares estimates are very close to the OLS estimates recommending that OLS estimates are consistent and unbiased. Subsequently, endogeneity was not an issue in the estimated models. There is, therefore, no simultaneity between GDP growth and capital formation model. These conclusions consequently have some strategic implications as debated in the work.

#### **2.4 Trade Openness and Inclusive Growth:**

The influence of trade openness, capital formation, and economic growth has investigated by (Hye, 2011); Arif & Ahmed, 2012). The study inferred that there exists a bidirectional significant relationship between the trade openness and GDP growth of Pakistan. The capital formation and human capital have a significant relationship with economic growth (Mustafa & Rizov, 2017)]. Trade openness has a negative relationship with economic growth. Trade openness, gross fixed

capital formation capital stock, and the population has a positive and significant impact on economic growth of any nation determined by (Hosseini & Leelavathi, 2013)

The researchers employed the statistics of 12 OECD nations to examine either trade rises effectiveness of the economy or not (Economidou & Murshid, 2008). The significance show the positive impact of trade on the efficiency of growth of markets but the influence is fairly negligible. (Foster, 2008) used quintile procedure for estimation to see the influence of openness of trade on the growth of the economy by utilizing data that is cross-sectional. The outcomes show that nations with decreasing rate of economic growth get advantages more because of trade openness in the long run and trade openness has an adverse influence on the growth of the economy in short span of time.

The trade openness and economic growth considered association for exploration and analysis by trying exports vs. imports led-growth hypothesis in Nigeria (Deme, 2002). The outcomes proved that association between trade and economic growth i.e. trade performs a pivotal act to increase productivity growth. (Jin, 2003) utilized the statistics of the economy of North Korea to understand the impact of trade openness on economic growth. The outcomes show that liberalization of trade raises national productivity that drives the improvements in a pattern of living of country by expanding capita income per capita. This suggests that a rise in the liberalization of trade uplifts the rate of economic growth.

In under developing countries trade openness can act to increase growth among shortened levels of human assets via access to a greater puddle of international manpower. (Grossman & Helpman, 1991) promote this idea through viewing that reducing of trade obstacles could create consequences to the regional economy via associates and links with international entrepreneurs

and markets, furthermore rising inducements for regional research and development. (Coe & Helpman, 1995 & Keller, 1998) additionally originate the efficiency of growing influence of trade liberalization through the research and development miracle that expresses a nation gains many advantages from research and development executed somewhere else by getting capital oriented products from many different nations.

An important route is that trade may prompt through financial extension. A nation initiates to do the trade as well as puts resources in exploration and advancement; proportionate benefits might grow after some time, a route to the manufacturing of commodities from more margins of returns and advantages because of the elevated degree of discrepancy created. By utilizing endogenous pattern of growth, (Grossman & Helpman, 1989) investigate the progression of comparable benefits from distribution of assets to research as well as development and detect that the country which is rich in human capital is a net exporter of different products and a net importer of traditional products which are labor demanding at every time.

The researchers employed the statistics of 12 OECD nations to examine either trade rises effectiveness of the economy or not (Economidou & Murshid, 2008). The significance show the positive impact of trade on the efficiency of growth of markets but the influence is fairly negligible. (Foster, 2008) used quintile procedure for estimation to see the influence of openness of trade on the growth of the economy by utilizing data that is cross-sectional. The outcomes show that nations with decreasing rate of economic growth get advantages more because of trade openness in the long run and trade openness has an adverse influence on the growth of the economy in short span of time.

Consequently, the settlement of previously mentioned debate, a lot of writings of literature have concentrated on analytically investigating the influence of international trade on the economic growth. Among growth analysis, structure suggested by (Barro, 1996), economic experts over and over again regress a conclusion of benefits of a nation on the definite measures of liberalization of trade. Distinctive procedures of liberalization have been employed, especially trade measures (the ratio of exports plus imports over GDP), and a straightforward measure of the policy of trade for example tariff rates or a composed indicator of liberalization (Sachs & Warner, 1995)

The trade openness helps of expand the variety of consumption in domestic markets (Romer, 1994 & Feenstra, 1994). (Merlitz, 2003) sets that by opening up to trade, market ratios could be transferred to the furthestmost profitable firms, as little beneficial and are compelled to withdraw. Similarly, (Tybout, (2001) looks at effectiveness and demonstrates that increased competition from international trade causes the market for well-organized and effective approaches that rise and intra-plant effectiveness and productivity to expand. (Acemoglu, 2002) find that the trade openness shows the implementation of fundamentals and safeguard property rights that are important to the formation of an economy which is supportable with faster growth. At last, (Krugman & Venables, 1995) propose market entrance might increase combined settlements but consequently talk about the higher levels of income.

Some variables have working like tools for the shares of trade in the process of growth. (Frankel & Romer, 1999) analyzed environmental features and properties among two nations in the condition of mutual trade, situation, whereas (Romalis, 2007) analyzed US marketing range in the form of equipment and tools. In both studies, useful and significant variables endorse a positive association among trade liberalization with growth. In another way, the shares of trade

are not any more stable if environmental variables are employed as tools as an alternative (Rodriguez & Rodrik, 2000 & Tervio, 2002)

The association between the openness of trade and the economic growth has affected a lot in theoretical as well as empirical writings over the world. In the purpose of creating the conceptual and ideal portion, the study compiles themselves in these groups specifically the commercialism, traditional economic experts and Heckscher-Ohlin ideas and thoughts of trade. Accordingly, the commercialism recommends the productive movement in which nations monetary benefits are at the charge of another. Furthermore, a discussion is that in a nation the ratio of exports must be greater than imports of goods and services exports should be more than imports, and must remain secured from the challenge of imports in a direction towards a nation to become wealthy & dominant as well. (Olasode, Raji, Adedoyin & Ademola, 2015), (Nduka, 2013 & Edwards, 1998)

The traditional economist claims that it is impossible for a country to sustain an important effect on trade forever. The nations must create and export the goods with low-cost advantage and the identical nation must import a good that has a higher cost of making a product in the own country. A disagreement is taking a part in global trade and it can have a strong energetic support for the growth of the economy (Keho, 2017; Olasode, 2015 & Nduka, 2013). In the meantime, the Heckscher-Ohlin theory tells that when two nations wish to participate in the global trade by one another and must possess with identical techniques of manufacturing and the granted components on the goods which are finally manufactured. A country along with aptitude contribution should make the products on large measures, in this way trade increases the growth of the economy. For instance, if any two nations want to enter into global trade with one another, they should have a technology that is identical, persistent returns to scale, and a given factor-

intensity association among final commodities. A nation with enhanced factor abundant should manufacture goods at a large level, in this way trade will enhance the growth of the economy (Heckscher, 1919 & Ohlin, 1933)

Trade openness puts an important impact on the economy in Asia over the years (1971 to 2009) applying a GMM of a powerful and influential data which is based on the panel (Das & Paul, 2011). A positive Influence of the most important variable which is trade liberalization of trade on growth in both India & China comprising time period (1980-2007) by that is an analysis using a panel data analysis, (Marelli & Signorelli, 2011) and there exist an important association among liberalization of trade and growth of economy for Indian Ocean Rim nations containing period (1997 to 2011) employed Fully Modified Ordinary Least Square (Nowbutsing, 2014).

In case of Africa, a research analyzed that openness of trade has a positive association with GDP in 38 nations between 1980 and 2008 (Yeboah, Naanwaab, Saleem, & Akuffo, 2012). Similarly, liberalization of trade has a positive effect on economic growth in Nigeria (Nduka, 2013). A unilateral (direct) association between trade openness and growth is found (Olufemi, 2004). This shows the rising trend of liberalization will be useful, liable for the pattern of economic progress in Nigeria. A direct interconnection reaching from the growth of the economy is analyzed to liberalization devoid of response in the pre-Structural Adjustment Programme time period (growth-led trade), while there prevail a bilateral connection going from economic growth to openness with a feedback effect in the post period. (Nduka, 2013)

The effect of trade openness to international trade as well as financial progress on the growth of the economy in Malaysia is investigated by (Wong Hock, 2005). An ECM was calculated, that shows liberalization of worldwide trade has a positive effect on a growth of the economy.



Powerful indicators showed that liberalization of global trade causes economic growth. A research that was analytically explored the unconventional association among progress financially, liberalization of trade as well as the growth of the economy in Japan comprising the years (1960-2003) (Soukhakian, 2007). Outcomes indicated a long run equilibrium association among financial progress, trade, and economic growth in Japan among domestic credit measure of financial development, growth, and trade.

However, an alternative research investigated the fundamental associations between the trade openness and the economic growth of Turkey was suggested econometric approaches (the Johansen and cointegration as well as Granger-Causality techniques throughout these years (1989- 2007) (Yucel, 2009). The outcomes directed that whereas openness of trade has a significant impact, financial development has an unfavorable influence on growth. Furthermore, the results of Granger causality exposed the existence of bi-causal association among economic progress, trade openness of trade and growth, consequently supporting the opinion that strategies which are related to economy guided as financial progress and liberalization of trade have a positive and important effect on economic growth.

Besides, an appropriate policy of analysis is moreover discussed in an essential way by which trade openness is efficient in encouraging growth (Taylor, 1998 and Wacziarg, 2001). (Rodrik, 2002) analyzed that trade openness has an important unforeseen effect on wages as if somewhat describes the worth of the institutions. As learning is also considered to be a different strategy to make sure that trade liberalization boosts the growth in long-term. Definitely, openness is originated to encourage the need for education which is important for the whole nation and which ultimately activates output and growth (Wood & Ridao Cano, 1999)

The connection between trade openness and economic growth is about certain prominence for small islands growing nations, where openness of trade is generally greater than in emerging nations and least developed countries (Santos-Paulino, 2011). Definitely, openness was realized to significantly improve the monetary development in SIDS such countries like Bahrain, (Sinha, 1999), (Jamaica & Edwards, 1997), and (Paudel & Perera, 2009). The important positive influence of trade openness on growth approves the great dependence of the SIDS“ economic presentation on the openness of trade. Nevertheless, their comparatively intense reliance on the openness of trade instantaneously increases their liability to trade shockwaves and therefore refines the exposure of their economy to great worldwide trade coverage.

Generally, many of the studies recognized a significant association between trade openness and economic growth, irrespective of changing procedures & openness of trade substitutes employed. The effect of openness of trade on growth was also detected to be incidental in few cases, first affecting the efficiency or investment, previously improving the development of the economy. Furthermore, to enhance the advantages of the trade, strategies of trade must be suitably accompanied with further strategies too. Nonetheless, many studies were considered to be an inadequacy of attention in action with matters connected with diversity and dimension, therefore inquiring the strength of the outcomes. (Rodriguez & Rodrik, 1999)

The trade openness impacts growth through investment [Levine and Renelt (1992)]. Trade openness permits an access to investment goods and offers incentives to FDI. Therefore, it leads to a quicker long-run economic growth. Distortions used in the real exchange rate as a means of determining trade. An unfavorable link between the real exchange rate falsehoods and growth which contained a trade-growth relation which is positive [Dollar (1992)]

A cross-country regression procedure is excluded due to the poor theoretical foundation, poor quality of database and inappropriate econometric procedures and methods (Srinivasan & Bhagwati, 2001). They also debated that the decision of (Rodriguez & Rodrik, 2001) was effective only for standard Solow model and not for Harrod Domar model. The preferred policy of export promotion and discussed a policy of import substitution which would decrease social returns and produce a social loss. They supported (Krueger, 1997) who confirmed higher growth performance of the nations with noticeable strategies leading to a positive association between openness of trade and growth performance of growth.

Three networks through which trade influences productivity growth are mentioned (Anderson & Babula, 2008). First, it gives full access to foreign intermediary inputs and technology and also enlarges market size for new different products and import variety of other products which are not available locally. This upturns productiveness and effectiveness of the manufacturing sector. Secondly, extension in size of the market promotes estimated profits from research and development and thirdly the trade enables international dissemination of general knowledge. Trade openness strategies generated the speedy expansion of export accompanied by the high rate of economic growth. This greater economic growth captivates the responsiveness of many countries working with import substitution industrialization (ISI) model. This allowed them to shift from ISI to trade openness.

To examine the effects of openness of imports on scarcity in the Philippines is examined. (Bautista & Thomas, 1997). Five households were reflected in this model, three were rural and the remaining two were urban. The researcher carried out in the study comprises import rationing, an identical surcharge on imports, tariff-free, tariff decrease and 50% reduction in

current account shortfalls. It is determined that in the Philippines there is a favorable and positive impact of import liberalization on income and poverty.

Analytically, there appears to be a good indication that international trade affects economic growth significantly by facilitating capital buildup, industrial structure development, technical advancement and institutional advancement. Definitely, the increased imports of capital and intermediate products, which are not present in the local market, can result in the increase in production and efficiency of manufacturing (Lee, 1995). More energetic contribution in the international marketplace by encouraging exports leads to more powerful competition and enhancement in terms of productivity (Wagner, 2007). Learning-by-doing may be faster in export manufacturing appreciations to the knowledge and technology spillover impact. Furthermore, the benefits of international trade are usually generated from the external environment, the suitable policy of trade and structure of trade arrangements. There are broad empirical readings on the influence of trade on economic growth.

Economic theory forecasts that trade openness should be encouraged, which in turn growth increases in the long run. Theory recommends that liberalization of trade enlarges trade opportunities, expands effectiveness and productivity of distribution of resources towards the most proficient sectors and expedite technological expansion especially through liberalization of imports. It is predicted that great-technology imports, increase domestic improvement, therefore increasing productivity and growth. Nonetheless, after decades of liberalization, experiments in Africa and in developing countries in overall, the indication on the growth effects of trade openness remains mixed (Easterly & Levine, 2003; Dollar & Kraay, 2003; Rodrik, 2004). Numerous opinions have been advanced to describe the limited impacts of trade openness on

growth. In this analysis, we only worry some of the possible logic for the powerless empirical evidence on the growth effects of openness of trade.

These days, the importance of “openness” has ended up much like the confidence of “unfastened change”, that might be a transformation gadget in which all the distortions of trade are evacuated (Kiberd, 1997). Therefore, it is serious to capture the problem because different openness measures have astonishing theoretical suggestions for boom and noticeable connections with the increase. (Wong, 2005) identified in his study that “the literature on the issue has not always been effective in dealing with specific definitions of trade systems, nor has it been capable to handle successfully the problematic topic of measuring the type of trade orientation followed by a certain country. A wide range of observational studies has made use of a variety of cross-united situations boom regressions to check endogenous prosperous theory and the importance of change strategies (Bloom & Van Reenen, 2006).

According to an agenda, the obligation, rule under the law, political firmness, governmental ability, property rights wellbeing, safety & agreement implementation, and check the dishonesty are actually stressing highlights features of growth-enriching organizations. From this wide speculative debate monitors an assumption that countries neglect to make like proper associations proficiently would be confronted with very high charges in market dealings and must be not capable to the governor and therefore, to help confidential activities, market exchanges, and savings and economic expansion. The uppermost connection of perception, nevertheless, does not avoid the prospect of a contrary connectedness. Indeed, in an alternative view, assisted by empirical evidence, predicts a greater level of progress will create the requirement for and prompt to improved organizations (Paldam & Gundlach, 2008).

The effective agreements come around to assist and maintain the level of growth only when incorporated in the government of a nation. An understood statement is like a broad society is talented of adopting the economies of scale intrinsic in explaining rules and has the complete control of obligatory power needed to apply the orders and principles. On the other hand, providing the state with predominant power generates the issues of unfairness, resourcefulness, depravity, and violation in the national power by those in leadership positions. (Weingast, 1993) contends that a government strong enough to safeguard property and impose agreements is also stable and sufficient to seize the money and assets of its inhabitants. This essential contradiction gives the justification for responsibility and clarity and extensive contribution of numerous establishments that desire for communal order and rule.

In observed writings, in Pakistan, there are many analyses that examined the part of productive development in encouraging economic growth, reduction in poverty and decreasing income inequalities. (Shahbaz & Islam, 2011), (Shahbaz, 2010), (Rahman, 2008), (Kashif & Khalil, 2012). (Raza, 2016) provided an indication of financial inclusion in Pakistan. Though, no studies from these have concentrated the causes of financial inclusion and supposed obstacles to financial inclusion and their suggestions for inclusive growth in the country. In this context, the recent research expects a complete examination of many levels of monetary involvement, in this regard to broad-based growth in Pakistan and reducing the prevailing gaps in the writings.

The debates, comprising rising proof that decreasing income inequalities and economic growth may not essential to be inconsistent goals as a basic Kuznets curve recommended, encouraged a discussion as well as exploration on 'growth that is inclusive' likewise at sometimes 'pro-poor growth'. Though there is an agreement that growth is broad-based if it decreases destitution, numerous explanations appeared (OPPG 2005, Besley & Cord, 2006). A related classification,

encouraged by UNDP investigators, suggests growth is inclusive, if disparity decreases, or if a portion of earning of needy upsurges. Substitute description attentions on the rate for income growth of wages of needy. Consequently rate of decrease in destitution, deprived of essentially an alteration in wage inequity, whereas a great discussion pay attention focuses on earnings as well as on intake (in which masculinity changes persist tough to sketch), same inquiries were questioned in a framework of further magnitudes of welfare and prosperity of country (Klasen 2010).

However, there is a considerable indication regarding significant associations among supremacy as well as the growth of the economy).An organized viewpoint about growth has been fundamental to an effort of Douglas North (1990) for instance, there is a developing structure of observed exploration that appears at the inter-connection between supremacy as well as economic growth, comparatively provoked by the understanding that assistance can also support growth of definite leadership about prerequisites are achieved (Burnside & Dollar, 2000). An important effort of (Peter Lindert, 2004) on the long-run progress of OECD well-being state enhances indication that government, remarkably the increase of speech, is significant for such a method in which condition communal spending and growth of the economy support each other. Ultimately, many advanced political investigations like demonstrated by [Prof P.B. Mehta] a meeting in Delhi as well as a modern increasing interest in the part of middle sorts (Birdsall 2007, 2010) emphasizes on politics and how much they connect to growth of economy and realignment.

As with government indicators, there is non-supposition that these indicators might be integrated towards a concept of growth that is broad-based. Yet, current and previous affairs on the comprehensiveness of growth models do show that contribution and responsibility are an

essential portion of communal discussion, at international level possibly progressively, hence a time of ‘superb-liberalism’ (Reich, 2008) organizations of distribution of assets as well as strength of politics, have been decreased, as growth of economy where it happen might govern to developing apprehensions of inexplicable organizations. Therefore, in a viewpoint, exploration towards shared growth might not ignore the organizations that encourage the expression of voice, of labors and business people both, predominantly most disregarded divisions among them.

The economic growth secures by the way of significant variables related to macroeconomics. Analytically it has persistent from former researches about monetary policy and growth of economy powerfully interconnected. (SBP), as dominant expert of ta nation utilized tools of monetary strategy as to keep stability in financial procedures achieving a level of growth of the economy of a nation. Supply of money, the rate of interest, persistent increase in prices as well as wealth proportions are important instruments of a state bank by the way of it effects of economic growth.(Rehman & Ahmed, 2002) explored matter to financial procedures for maintainable growth in a nation. A research examined an influence by level money stock multiple strategies finding the annual time variant statistics comprises from (1980-81) to (1999-2000). Conclusions of research declared financial base important factor of monetary alarms a powerful instrument to impact as well as control financial capital in Pakistan.

## **2.5 Conclusion:**

Some studies are conducted on trade openness and inclusive growth. In most of the studies, inclusive growth is taken as dependent variable along with human capital, trade openness, and political stability, investment, and gross fixed capital formation. A few previous studies used the data of inclusive growth to find the impact of inclusive growth on poverty and income inequality.



But the current study tries to examine the link between inclusive growth and trade openness by performance of inclusive growth in Pakistan using political stability, human capital, trade openness and gross fixed capital formation as independent variables.

## CHAPTER # 3

### ANALYSIS OF INCLUSIVENESS IN PAKISTAN ECONOMY

Inclusive growth is the economic growth that creates opportunities for all segments of the population and distributes the dividends of increased propensity, both in monetary and non-monetary terms, fairly across society. Inclusive growth implies direct links between the macroeconomic and microeconomic determinants of the economy and the economic growth.

In the current study the analysis of inclusiveness in Pakistan is started from the year 1980- 2016. Starting the analysis and see the trends from this period because of the availability of the data of indicators from which are measured inclusive growth in case of Pakistan. By adding the variables which include GDP, health, education, employment, poverty, income inequality, gender equity, telecommunication, transport, and sanitation are used for data generation

#### **3.1. GDP:**

Historically, Pakistan's overall economic output (GDP) has developed each year since 1800 declines. In spite of this record of sustained growth, Pakistan's economy had, until a couple of years back, been described as unbalanced and extremely ineffective against internal and external shocks. Unpredictably economy proves to be strong in the face of multiple adverse events concentrated into a four-year (1998– 2002).

The economy of Pakistan is the 24th biggest in this world as far as purchasing power parity (PPP), and 42nd biggest in standings of nominal gross domestic product. Pakistan has a population of more than 207 million (the world's fifth largest), giving it a nominal GDP per capita of \$1,629, which places 147th in the world for 2016. Be that as it may, Pakistan's undocumented economy is estimated to be 36% of its general economy, which isn't thought

about while calculating per capita income. As Pakistan is a growing nation and having the power to be a big economy in the 21st century.

The economy of Pakistan established at a straightforwardly remarkable estimate of 6 % for each year from the beginning of several years of the nation's existence. Even though rapid growth of masses during this duration, earnings per head was increased, destitution decayed from 46% down towards 18% during the 1980s, as per eminent Pakistani financial analyst (Dr. Ishrat Husain). This strong monetary performance was maintained over some wars as well as successive nonmilitary personnel and armed regimes in the 1950s, 60s, 80s until the time of 1990s.

After a moderately peaceful though monetarily dormant decennary of the 1990s, the year 1999 carried a peaceful drove by General Pervez, introducing a period of quickened financial development that encouraged impressively expanding of national GDP, as well as the sensational enlargement in Pakistan's metropolitan category.

Nation ended up plainly one of few fastest emerging nations in Asian district amongst 2000-07 with progress is around 7.0 for each penny annually for the majority of this duration. Because of solid financial improvement, country is dominant with respects to lessening destitution closer to one-half, forming just about 13 million jobs, dividing the country's responsibility distress, uplifting external trade stores towards an amicable situation and sustaining countries conversion scale, regenerating financial specialists' confidence as well as in particular, removing Pakistan from Program of IMF.

Decade furthermore throw a fabulous shadow of the US "war on fear" on Pakistan, in long run renovating the country into a progressive state in the unquestionably critical clash that hints at no

decreasing. Together with the violence and misperception in the city, there are cheerful signs that lead to law and responsibility is starting to win in the nation with the reclamation of the agent vote based system and autonomous legal, to a great extent because of an inevitably decisive urban working class, energetic broad communications and developing common society.

The Zardari-Gilani regimes attained generally economic stability onwards March 31, 2008. This attained outside trade of \$13.3 billion, swapping scale at Rs 62.76 per US dollar, the KSE record at 15,125 with showcase capitalization at \$74 billion, expansion at 20.6 for every penny and the nation's obligation load on a declining way. The administration itself recognized in a similar record that "the macroeconomic circumstance decayed altogether in 2007-08.

Can anybody describe why the economy of Pakistan has done well under military governments and performed ineffectively when driven by politicians? What turned out badly? Why one of the fastest developing economies in the Asian countries until two years prior has been completely overlooked in the district? The speed and measurement of exogenous value stuns (oil and food) were of extraordinary extents. Besides, the existing government got itself absolutely poorly arranged and dumbfounded in tending to the complications emerging out of the stuns. While rest of the world was captivating helpful measures and changing in accordance with higher sustenance and fuel costs, Pakistan reeled starting with one emergency then onto the next. The figure of GDP growth of Pakistan shows that there is a decline in GDP growth, Pakistan from (1991-2000) and then see an upward trend from 2000-2006 and then downward trend from 2008-2009 due to the economic crises, then after the economic crises ended an upward trend of GDP growth of Pakistan shown from 2010 onwards till now.

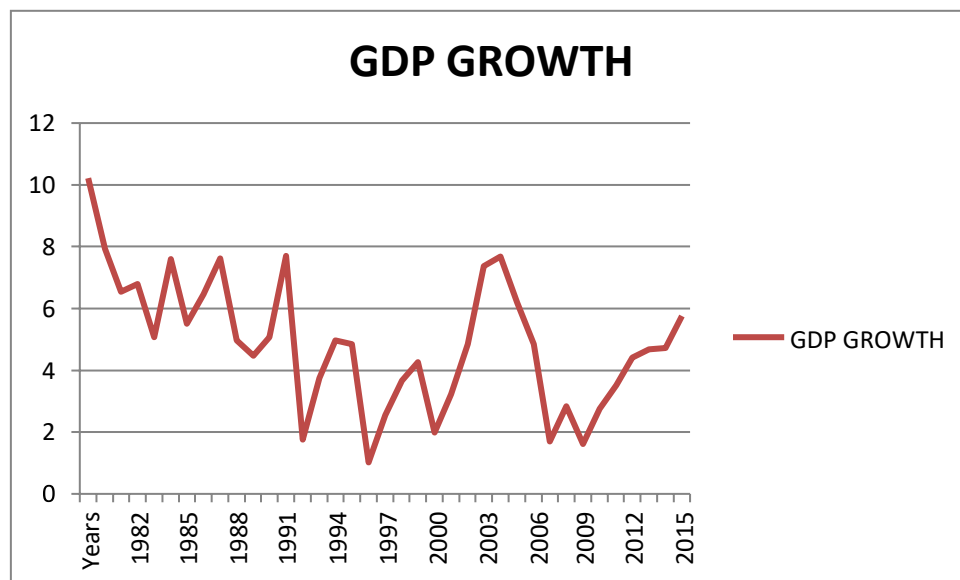


Table 3.1. Trends of GDP (1980-2016)

The figure of GDP growth of Pakistan shows that there is a decline in GDP growth, Pakistan from (1991-2000) and then see an upward trend from 2000-2006 and then downward trend from 2008-2009 due to the economic crises, then after the economic crises ended an upward trends of GDP growth of Pakistan shown from 2010 onwards till now.

### 3.2. Education:

Education plays a significant part in governmental stability, social progress as well as economic advancement of the country. This fetches political firmness by understanding general population their domestic rights & requirements and the attention to their rights as well as obligations; a great sphere is shaped for the enhanced achievement of the rules with great commitment and joint effort of the general population. Education acquires economic growth by reason as it upgrades the productivity along with the efficiency of the population; it gives them basic training which empowers general population to perform its part in assisting the supportable growth of the economy of the nation. Learning helps in builds personality of the masses, gets those virtuous duties along with obligations, hence they can have a part efficiently in a nation.

Today Pakistan is confronting various issues i.e. neediness, nervousness, psychological oppression, and numerous increasingly and the reason of every one of these issues is the absence of awareness, tolerance and lack of education which are made by ineffectual educational methods. The important part and importance of education system are generally mistreated in Pakistan. There are some different factors also for instability in Pakistan through education is the fundamental one. Pakistan is confronting some other issues also. Over 62 years have been past and 23 actions and policies recommended have been presented yet the education sector is still waiting for the suitable solution of this problem i.e. numerous systems of education, the inadequacy of assets, insufficient facilities, poor examination systems, dropouts, low enrollment rate and the major one is inconsistency.

In the current history of Pakistan education system brings up some significant issues. As we have two well defined and well-described kinds in our educational structure, public and private sector and previous presentation of both needs to be evaluated to resolve healthy and unhealthy patterns in the system.

Education is becoming one of the pure and definite enterprises of 21 century with the rise of globalization. In the fast changing and the modest world, education and technology are the master keys to eminent survival and progress of Pakistan. Pakistan grasps the education support in the agreeable development for an individual. It raises economic, social and political adjustment for individual in society. It is a fact that without the main education level, for the whole population human development process can't be sustained.

The figure of the education shows there is an upward increase in 1983-1985 and then a small decrease occurred in 1987-1991, but after the year 1991 there is an upward increase till 1995, a

large decline is seen 1995-1999, again after 1999 there is upward increase in the education sector of Pakistan, a slight decrease is shown in 2011, afterwards an upward increase in the field of education and learning and research.

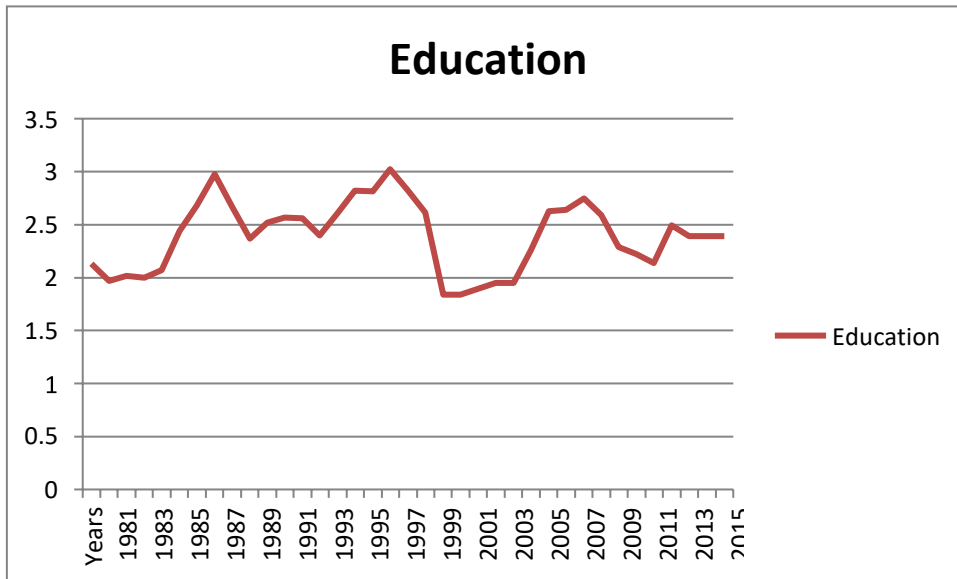


Table 3.2. Trends of Education (1980-2016)

The figure of the education shows there is an upward increase in 1983-1985 and then a small decrease occurred in 1987-1991, but after the year 1991 there is an upward increase till 1995, a large decline is seen 1995-1999, again after 1999 there is upward increase in the education sector of Pakistan, a slight decrease is shown in 2011, afterwards an upward increase in the field of education and learning and research.

### **3.3. Health:**

The profile of health sector of Pakistan can be defined through elevate growth estimates of population, high infant and child mortality rate, a high proportion of maternal mortality, an extra load of treatable as well as not treatable illnesses. Malnourishment, diarrhea, disorders of respiration, different infectious and preventive ailments are mostly accountable for the great trouble of infant and perinatal fatality, whereas high parental mortality is generally recognized to an increased rate of productiveness, low skilled birth attendance rate, illiteracy, malnourishment and unsatisfactory access to urgency obstetric care benefits. In addition to 40% of deliveries are attended by capable birth attendants.

The healthcare framework in Pakistan faced various serious issues - structural fragmentation, gender insensitivity, resource scarcity, inefficiency and lack of accessibility and utilization. Additionally, Pakistan is looked like a dubious economic situation, troubled by heavy external debt and faltering productivity and growing poverty. These conditions, from one viewpoint, underscore the requirement for innovative health sector reform and on the other hand, show the complexity of the involved task. Devolution Plan of the Government of Pakistan (GOP) recently announced that seeks to introduce elected district level local bodies, offers an opportunity to assess the existing publicly funded health care system and introduce far-reaching changes to make it more powerful and efficient.

Past strategies related to health were constructed in 1990 for the progress of a nation. These strategies are basically proposed to guide about the fundamental issues related to the health sector. The purposes of this enhancement of systems of health care and achieve necessary reforms in the whole particular segment. As a result of motives of inappropriate performance in



activities settled schedule by progressive regimes but unfortunately, these strategies did not satisfy the goals.

Change in health sector schedule is being conveyed in protecting by the deliberate guidance of health strategies as well as inside the structure of destitution decline policy in regimes of Pakistan, Millennium Development Goals and in the context of 10-years perception development plan and MTFD of the Planning Commission. The general perception of government's intermediate health approach is about expanding health of public sector expenses by means of great emphasis on prohibition as well as control schemes.

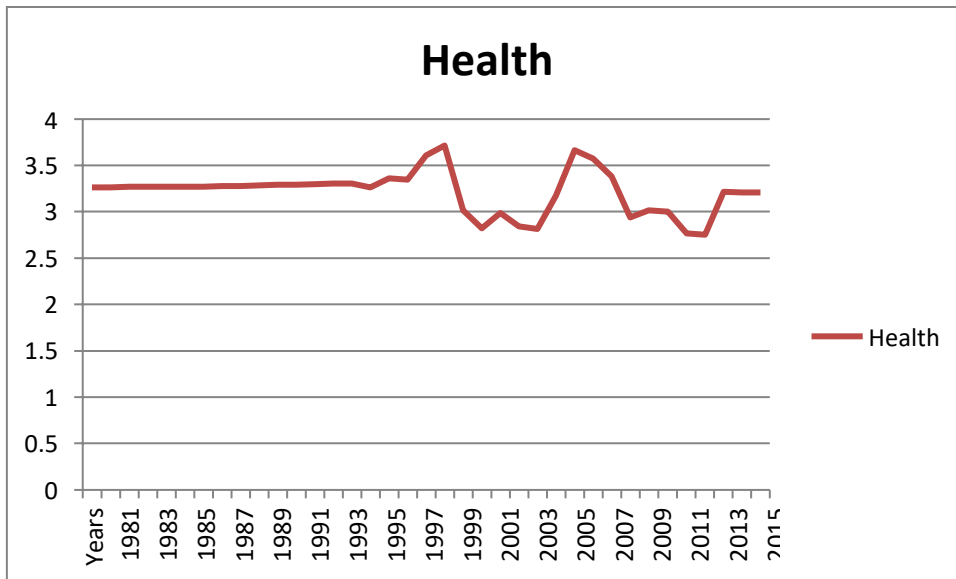


Table 3.3. Trends of Health: Infant Mortality (1980-2016)

In this study the data of mortality rate, under -5 (per 1000 live births) is taken. The figure shows that health situation in the country during the period of 1980-2016. A downward trend in the mortality rate is decreasing from 1997 to 2003 but after that it increases in 2005 and again decreases which is good sign and shows that performance of health sector is getting better. It means that children are getting suitable and proper vaccination at the time of birth that is why the

greater mortality rate is decreasing and the unhealthy children get proper medication that shows a progress in this sector.

### **3.4. Poverty (Headcount):**

Destitution is a situation in which a person lacks sufficient money to fulfill the basic requirements, when masses have inadequacy of way to achieve simple and day to day desires and need. According to this perception documented of needy people mainly needs will power that creates necessary requirements. Foremost situation must cover only the people near the border line of malnourishment, famine and death.

The next will encompasses to masses when nourishment and aliment, accommodation, apparel, although not adequate enough for protection of life and don't correspond to people overall, Difficulty related to poverty is more incorporated by non-economic influence that neediness achieved. Neediness related to bad health, miserable condition of learning as well as training, powerlessness or resistance to work elevated level of troublesome and extravagance or carelessness with all these characteristics frequently detected to continue with neediness.

The presence in a concept of neediness might protect too vague the association among them as well as failure to provide for main requirements .Whatsoever the concept one uses, common man usually influence of destitution are destructive both for society as well as for individuals.

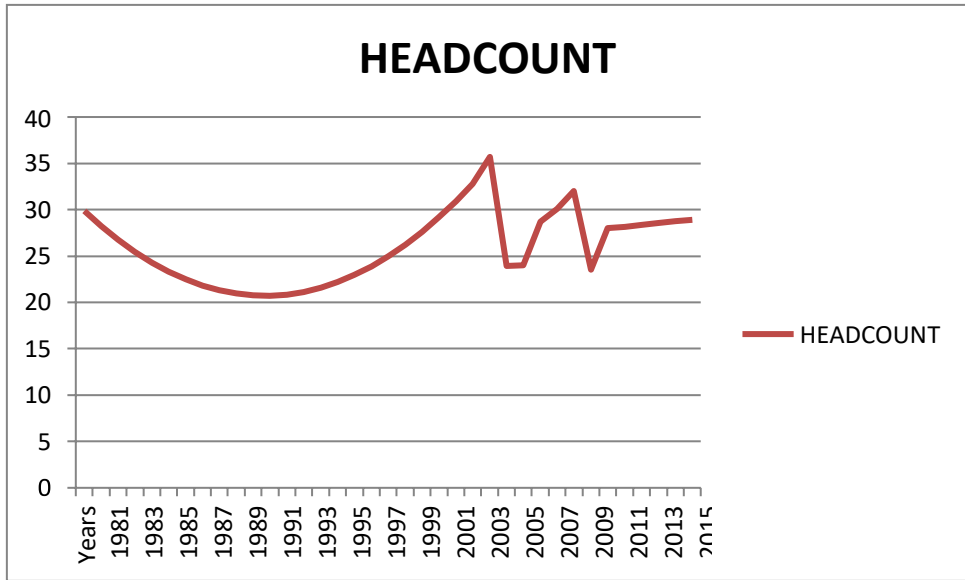


Table 3.4. Trends in Headcount (1980-2016)

The figure of the headcount ratio in the case of Pakistan from the time period 1980-2016 is shown. A downward is analysed from year 1981-1991 and then move with the upward trend from 2001 but again declined in 2002 and shifted upward in 2005 but after 2011 an upward trend is shown in Pakistan which is due to the reason that majority of the people are unemployed and unemployment leads to increase in poverty. Unemployment rate in Pakistan remain unchanged at 5.90 percent in 2016 from 5.90 percent in 2015. Unemployment Rate in Pakistan averaged 5.47 percent from 1985 until 2016, reaching an all-time high of 7.80 percent in 2002 and a record low of 3.10 percent in 1987.

### 3.5. Telecom:

The world has twisted into an international village; this is due to rapid and simple way conversation with each other. Telecommunication division has transformed the state of correspondence all over, nowadays it's an important matter in Pakistan. This sector has

established rapidly enterprise in recent duration, the country is now favourable as dynamic and advance, liberal nation when the users of mobile phones are increased. Many renowned organizations are being interested to invest in this sector (Butt 2006). Telecom area has changed the methods for communication of individuals around the globe moreover; in recent years it has presented strong growth in Pakistan. These services entered into lives of individuals, likewise interrupting with communal setups.

Each one including administrators to daily wage earner seems occupied on mobile phones in workplaces, on streets as well as in commercial centers in Pakistan. India may be world's quickest developing telecommunication sector; however, development is more profound in a nation where large numbers of people have a convenient association. Conversely, of a lower per head salary and relatively measure up to costs of handsets and in addition call tariffs like in India, Pakistan has significantly increased cellular phones penetration of around 30 % .

Cellular phones communication region is one of greatest significant service sectors in Pakistan. This particular service has transformed person's everyday life as well as overall effected business sector. The government made an effort to announce the contest and endorse foreign and personal proprietorship, by way of deregulation arrangement in the year 2003. Strategy about settled administrations has been sound and stable; however, the one approaching fixed line services has been independent. After innovation of mobile phones, for this reason, the new operators have emerged quickly in Pakistan.

Telecom sector has shown an extensive and fast progress in Pakistan. It has turned into a scalding interest in various perceptions, context, and aspect like the growth of the economy, external investments, outstanding new well-paid employment opportunities and innovative

occupations and there has an unlimited investigation on entire parts. However, a significant object which is analyzed is telecom sector moreover specifically cellular one, has turned into an important element of someone's existence people that are employing these services might not supposed to live devoid of this equipment. Accordingly, it has exaggerated the methods to live the population; telecom sector has performed an outstanding deal through traditional civilizations and communal associations of the population. All such things influence policies of markets of corporations, like the performance of customer knowledge, is significant elements for the effective approach of production. No such research has been done on an important matter that should be discussed.

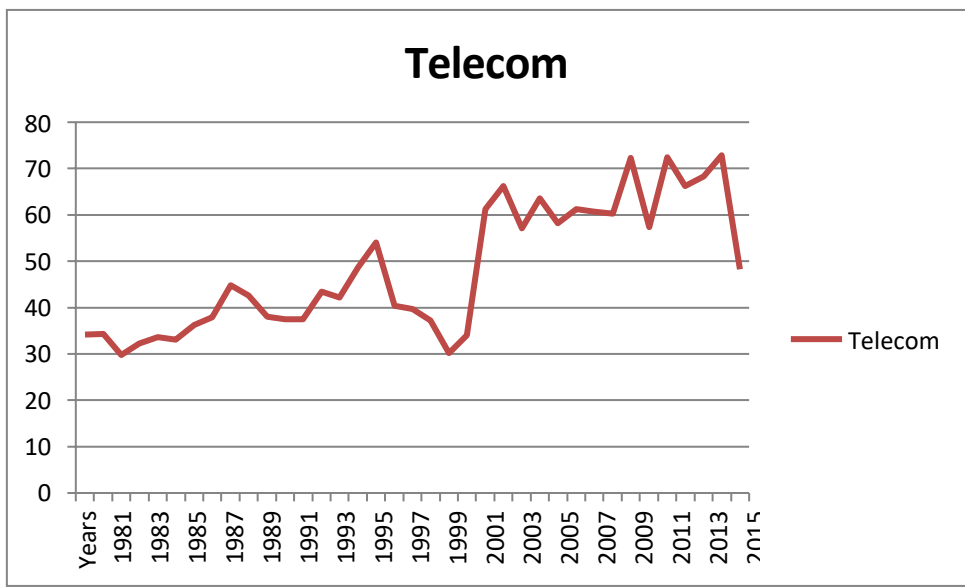


Table 3.5. Trends in Telecom (1980-2016)

A figure of telecom sector of Pakistan from the year 1980-2015 is shown below. There is an upward trend of telecom sector from 1981-1995 but after a minor decrease in 1997 to 1999, an again upward increase in this sector occurred because of the new different advancements in the

telecom sector, again a decline is shown in 2008 due to the economic crises, economic crises also affects the telecom sector. It has an upward and downward trend until 2016.

### **3.6. Transport:**

Infrastructure plays a pivotal role in the development of any nation as well as a foremost supporter of growth for a nation. An effective, competent and framework which is reasonable is a serious component of virtuous investment, consequently is a requirement to withstand the momentum of growth. In current time extraordinary rates of growth enlarging pressure on current infrastructure in the country.

The national system of transport was not well settled and advanced at the time of freedom. The essential means of conveyance system were railroads, but a system in West Pakistan had been created below a supposition that a division of a greater sub continental economical as well as a political individual was not suitable for requirements of a developing country. Substantial progress was essential to enhance the links among Karachi, the first capital of Pakistan and the nation's important port and profitable center, as well Punjab, and Islamabad was recognized as the modern organizational capital in 1962.

In the year [1970s, 1980s], systems of road plus air developed expressively faster than the railways. Among FY 1978, 1992, the capacity of cargo and the number of travelers carried by trains improved, though road-borne cargo and number of passengers of airplanes further doubled up. In 1994, the strategy of conveyance was engaged in moving traffic back to the method of railways, with a long-lasting objective of a Rialto-road cargo traffic ratio of 33.67 by 2000. Nonetheless, it seems doubtful that this objective will meet.

Regimes acknowledge a significance of developing and increasing amenities of infrastructure to support economic as well as societal progress in its development framework of medium-term 2005-2010. The infrastructure of the country requirement is immense and its assets are very inadequate. There is not only inadequate monetary space; there are also gigantic gaps in communal sector volume to develop as well as function infrastructure. Better attribute and service exposure in electricity, water supply, drainage system, transportation, and logistics are energetic for the economy of Pakistan and livelihood of the population. Strict financial restrictions require state-of-the-art methods, apart from outdated part of the government as the service supplier, to make sure that the enormous investment requires are supported with the great help of private sector.

Transportation infrastructure of the country has agonized due to the negligence of the government. Even though there are many marks of development, external onlookers frequently oppose that the deprived transport infrastructure hindrances the capability of economic growth. A part of the infrastructure in incorporating nations into worldwide economies by giving transportation and telecom benefits that is exceptional. Infrastructure can likewise increase eminence of human assets, which is a fundamental element in achieving extraordinary levels of growth. Developments in eminence and measure of infrastructure have a positive influence on needy people, and in this way playing an important part in decreasing income inequality.

A good performance of transport and telecom sector is fundamental for a nation's development. Investment in the infrastructure of the country openly influence the growth of the economy as manufacturers, the best markets for their products, diminishing transportation time & cost, as well as creating job opportunities.

The population of 161 million, Pakistan has equitably advanced infrastructure of transport. A nation creates a total national transportation burden of around 239 billion traveller's 153 billion tonne-kilometres every year. The progress in the requirement for services of transport is significantly greater than progress in GDP. Transportation by roads is the strength of country transportation system. 9,574 km extensive National expressway and Motorway system which is 3.65% of the total road system transmits 80 % of the total traffic of Pakistan. Before a decade, road both for passengers as well as cargo has increased suggestively quicker by the national economy. Presently, it is secretarial for 91 % of nationwide passenger traffic, 96 % of freight. Nevertheless, negligence of many other ways of transport in favor of improvement of the road infrastructure of the road has been a dominant issue in nation's transport sector. Updated advantages and developments in particular parts like shipping, railways, and air travel are an applauded step on the way to patching this bias.

In Pakistan, traffic of seaport has been developing every year at 8%. Karachi Port and Port Qasim are the two main ports control 95 % of trade globally. Port of Gwadar, that was started in March 2007 and is being functioned with help of Singapore Port Authority, is expecting into a dominant energy port in the region. Likewise, 14 dry harbors oblige high-value trade externally.

The railways system of Pakistan (PR) has an extensive evaluation system. The system comprises of the main North to South hallway connects the ports of Karachi to the main construction and populace centres in Pakistan. The way is in a great state with a load of 23 tons as well as maximum allowable speeds of 100/110 Kilometres per hour.

Infrastructure development has been an area for Pakistan with great significance and importance as obvious from many of schemes finished or in progress. The system of transportation is



possible to experience unbelievable enhancement and progress with the fulfillment of the (NTC) platform in the long term.

The (NHA) plays an important part in effectiveness plus efficiency of transport sector of the nation. In this way a nation wants to get reimbursements from the competent road network of roads, to uphold a prevailing system in ideal situation and efforts must be made. An upsurge in the system is required to assist upturn in traffic as well the movement of commodities in the future. While adding to the current network advanced procedures of supporting, the participation of private division and conservational characteristics should be taken into consideration.

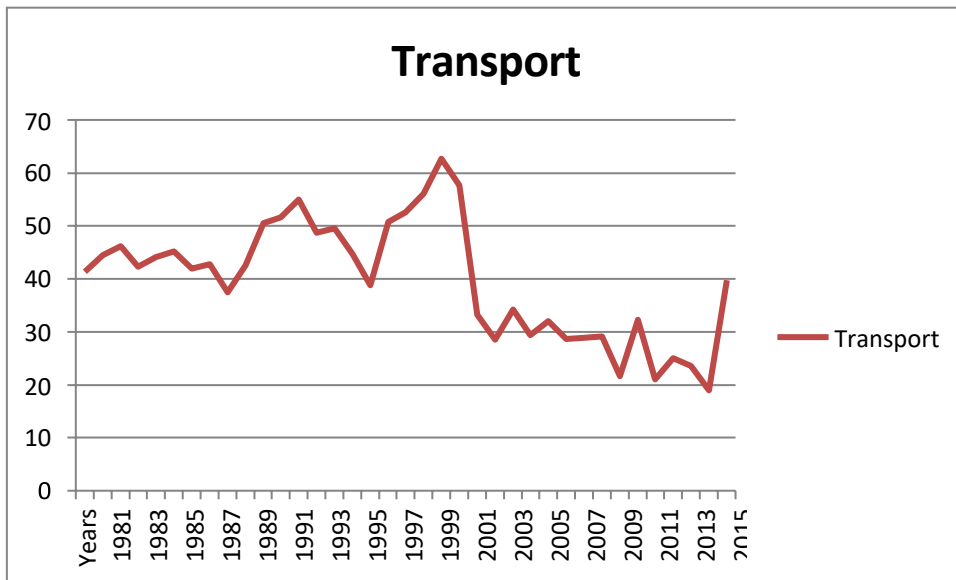


Table 3.6. Trends in transport (1980-2016)

The figure of transportation sector of Pakistan comprising the year from 1980-2016 which shows the decreasing trend and an upward trend in 1987-1988, then a decreasing trend from 1999-2002,

And from the year 2013 onwards the transportation sector is performing effectively and due to this effectiveness, the trend of this particular sector is upward.

### **3.7. Sanitation:**

The population of Pakistan is over 190 million (estimated) making it the world's sixth most overcrowded and populated country while 63% population lives in rural areas. Therefore, the single and most vital task in public health sector of Pakistan is to varnish the crises of sanitation & hygiene and inspire dignified lives, decrease unnecessary deaths, improve gender equality, contribute to the disposable income of the poor and safeguard the environment.

Pakistan is among world's 36 most water-stressed countries. 88% of diarrheal disease is recognized to the insecure supply of water, insufficient sanitation, and hygiene. It is utmost ignored sector of Pakistan. As a provision of clean water for drinking and advance amenities of cleanliness is concerned it is essential to assure a healthy population. As per the Human Development Report 2006, water and sanitation are among the most intense protective medicines to lessen irresistible diseases. The human right to water has been perceived constitutionally, legislatively and judicially in Pakistan, yet the use of the privilege appears an unfulfilled dream. Whereas approach/access to clean water and hygiene has improved in a nation, the high existence of water-borne sicknesses poses doubt over the importance of these services. Most of the people in a country are presented to take risks of drinking unclean as well as dirty water. Inadequate attention for squandering water treatment and transfer in urban territories is additionally causing serious health problems.

The nation had been on track to accomplish the Millennium Development Goals (MDG) emphasis for the right to use to safe drinking water. However, this evidence categorizes with

sources of water instead of safety levels. The country faces the issues of water quality, as all urban areas report unclean drinking water supplies. According to a study, Punjab is among the territory with the most raised number of individuals, 79 % of water gathered is unsafe for drinking. The condition is far more dreadful in casual settlements and provincial territories. But, the nation had not been on track to accomplish the MDG focus on sanitation. Around 43 million individuals excrete in the open, and the enhanced sanitation objective may not be met until 2027. Gaps in access to water and sanitation are altogether connected. Water contamination from a poor sanitation framework or absence of such facilities can undermine the human advancement benefits of improved access to drinking water.

Providing of safe drinking water, satisfactory sanitation and individual hygiene are important for the sustainable environmental situations and decreasing the occurrence of diarrhea, malaria, trachoma, hepatitis A & B, and morbidity levels. Not having access to water and sanitation is a well-mannered expression for a form of deprivation that threatens life, destroys opportunity and undermines human dignity. Accordingly, the provision of safe water supply and adequate sanitation, investing is not only a development concerned approach in itself, it can also yield other socio-economic benefits in terms of improved health status, quality of labor force and reduced burden-of-disease.

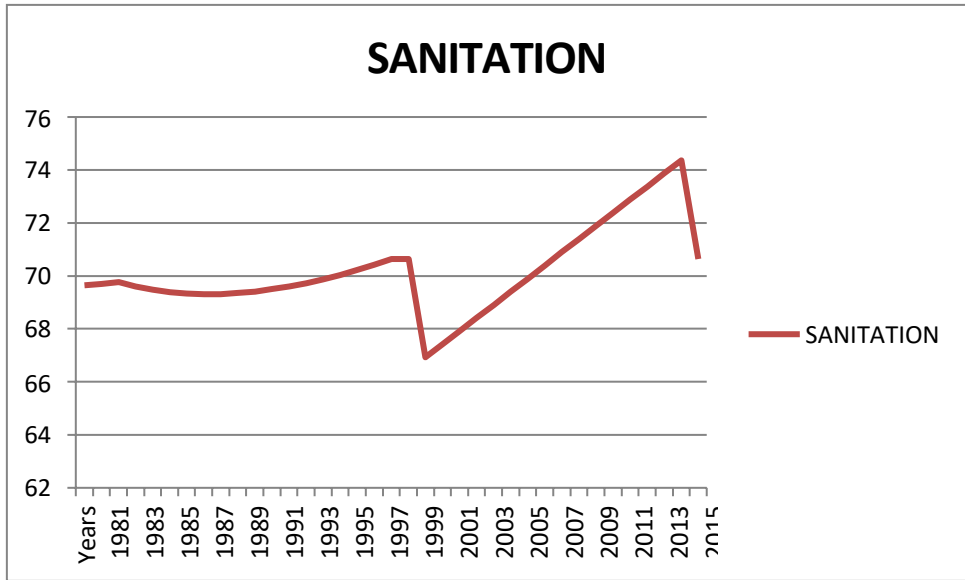


Table 3.7. Trends in Sanitation (1980-2016)

The figure below shows the sanitation condition of in Pakistan through the year 1980-2016. The figure shows the upward trends in sanitation sector from the year 1990s, which clearly shows that the improvement is occurring in this region by reducing the sanitation problems through providing the clean drinking water which is very important for the well-being of the people.

**3.8. Gender Equity:**

In the past years, the world moved closer to gender equality and saw the development of women above a broad range of monetary, social, and political indicators, in all the counties of the globe. Nevertheless, all over the world, women stay at a disadvantage to men in essential regions or areas of social, economic, and political life. The Millennium Development Goals (MDGs) particularly called for gender equality. The struggles of women as a sex are the key to human liberty. Women’s struggle for empowerment has been a long and winding one, which is not yet over.

Japan International Cooperation Agency (JICA) is working with an initiative to support Government of Pakistan (GOP) in its nonstop struggles directing at promotion of improvement of gender equality, particularly, from mainstreaming of women in all kinds of different backgrounds of life, so the full human perspective could be started which is basic for the socio-economic improvement of the nation. JICA has consistently set high an incentive to the rule that every nation has its own particular social, social, statistic, monetary, legal, and political condition or environment. Therefore, it is necessary to understand the dynamics of the gender of a country in its own given environment, also by taking in to account both "emerging changes" and "chronic issues".

Before the women in development (WID) method was approved to reduce gaps between socially characterized roles and accountabilities of men and women, JICA appointed an investigation titled "Nation WID Profile-Pakistan" in 1999 with a reason to comprehend or understand WID profile in Pakistan. Though with an obvious change in viewpoint from WID to Gender and from females positioned mediations or involvements to gender mainstreaming contemplations JICA scheduled and selected the "Country Gender Profile" think about with a purpose to understand the changing and non-changing qualities of sexual orientation situation in Pakistan.

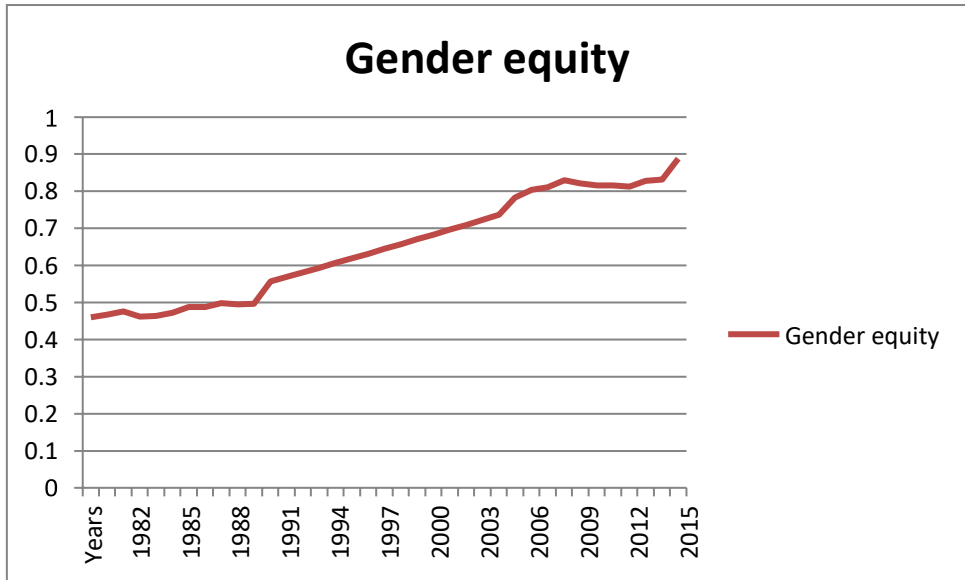


Table 3.8. Trends in gender equity (1980-2016)

The figure of gender equity shows the upward moving trend in Pakistan from the year 1980-2016. This upward moving trend shows that gender equity is taking much importance in Pakistan and women of the nation are participating in every walk of life with men and this attribute is playing a vital role in the development of a nation as women are considered the most responsible citizens of the country.

### 3.9. Income Inequality:

The foremost purpose of development of the economy is enhancements in a pattern of living of the layman and for this purpose simply the growth of economy might not be sufficient. This is as growths as well as wage dispersion equally figure out developments in the living paradigm of the public. Unluckily by an expansion in neediness over the 1990s, emphasis of exploration encouraged to an approximation of ratio of the poor and of strategy makers to a lesser level of needy people relatively by following suitable methods to enhance dispersion of wages.

Different income disparity pointers have been shaped to investigate the patterns in wage imbalances the theory of economics does not support in deciding individual income dispersion. Moreover, it explores association among growth as well as effective income diffusion, i.e. dispersion of GDP among capital and labor. Meanwhile, there might remain a wide space among functional and individual wage diffusion because of diversity in the dispensation of benefits different sectors of the community, an individual might be unsure to make any difference on individual wage dispersion based on the functional distribution of earnings.

Various researchers contribute estimates of many disparity indexes in Pakistan, the Lorenz curve as well as Gini coefficients have been utmost regularly utilized in the discussions of strategies in Pakistan. Gini coefficient is ordinary gap among to gather population portion and normal percentage of wages, i.e. the normal gap between the 45-degree line and Lorenz curve. The value of Gini comprises among 0 for perfect equality and 1 for perfect dispersion

The Lorenz curve delivers whole facts on the distribution of incomes as a proportion of the mean and gives a complete explanation of the relative standards of living of various groups of households. Throughout the 1980s Gini coefficient in both the rustic and urban zones declined pointedly over 1979-88 from 0.3450 to 0.3227 and from 0.4118 to 0.3782 individually. Overall Gini coefficient declined from 0.3946 to 0.3608. The wage share of the destitute, 20% expanded and that of the wealthiest 20% decreased and the pattern has been detected in both the rustic as well as urban regions. An essential component of the better patterns in income inequalities in the 1980s has been the increments in occupation and real earnings in the agribusiness & manufacturing segments as well.

However, in following time period [1988-91], inequality in wages in the urban zones continued moderately endless, it improved pointedly in territories of a country. Proportions of segments of minimal as well as most elevated quintiles likewise demonstrate sharp increments in income disparities. Increases wage imbalance in rustic zones must have been because of a government strategy to pull back the funding on agricultural intakes as well reimbursing the growers along with the increase in assisting charges which had a different effect on small and large farmers. While wage disparity broadened both in urban as well rustic divisions, the expansion was further articulated in metropolitan regions than in rustic regions.

In rustic regions a Gini coefficient decreased yet there has a mixed pattern in metropolitan regions up to 1996. Nonetheless, to a lower magnitude in rustic rural regions and to tremendous range in metropolitan areas, wage diffusion has improved since then. A Gini coefficient expanded in rustic territories in a period of 1997. A total Gini coefficient above an interval elevated to 0.4129.

In 2000-01 [Gini coefficient] demonstrates a marginal decline simply because of a decrease in the rustic zones. Though, in the urban zones, wage disparity expanded quickly. The urban wage dispersion in the period [2001-02] ended up being the most unequal. Based on data from the year 2004 PLSM data, governance has currently reported a severe decrease in the extent of need under the line of poverty. Despite a fact that Gini coefficients, as well as proportions of different quintiles not emancipated a way that information about statistics, indicates approximately double the growth of earnings and consuming pattern of wealthiest 20 % related with underprivileged 20 percent intimate an acute increment in income disparities.



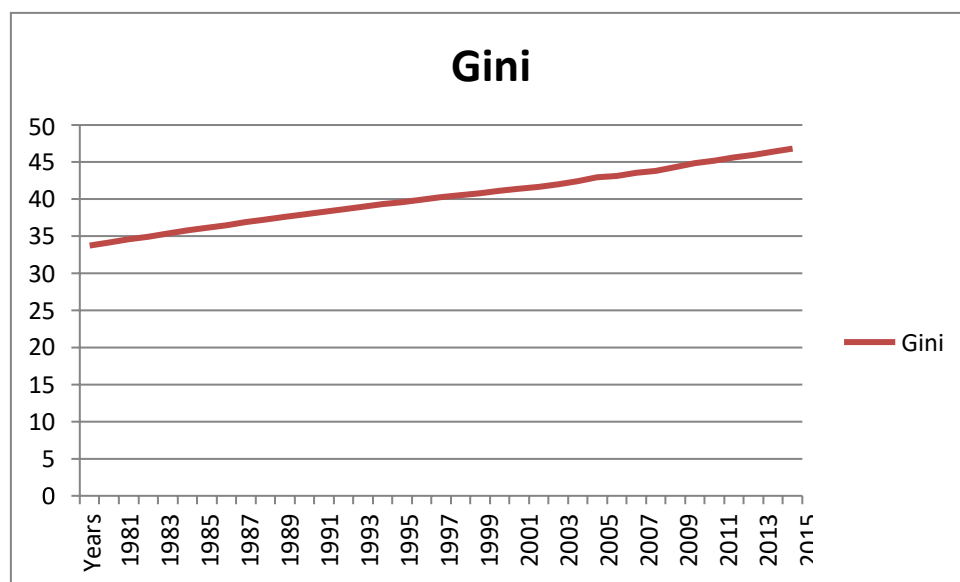


Table 3.9. Trends in income inequality (1980-2016)

The above figure indicates the Gini coefficient (income inequality) situation in Pakistan from the year 1980-2016. An upward trend is shown in Gini coefficient which clearly explains that income inequality is increasing in Pakistan which is a bad sign. Income inequality has increased substantially in 1990-91 as compared to 1987-88 and it indicates that poverty has worsened in this period and it is now increasing in Pakistan. It can be decreased by promoting more and more employment opportunities.

### 3.10. Employment:

Employment includes all people around the age of 15 years and over this who perform job no less than an hour throughout recommendation time frame, or moreover “paid employed”. People occupied on persistent positions have not performed because of any purpose during the reference period are also treated as employed, disregarding of the time period of deficiency or either employee maintained to get wages while being absent. A survey of labor force acquires data on

period of nonexistence along with different proper employment affection qualities of employees in remunerated as well as self-employment.

In Pakistan, 32.5 million People lived at the period of independence in 1947. The population is evaluated to have reached 156.77 million by 2006-07. Along these lines in about three generations, people of Pakistan have expanded over 124.27 million and has expanded by an ordinary rate of 2.6 percent annually. Whereas country has additional mouths to bolster, many households to shelter, additional youngsters to teach, as well as some individuals observing for beneficial occupation, elevated community depict an affluence of labor that is utilized for gainful targets. The immense community also illustrates gigantic possible market in favor of goods & services. This huge customer base with expanding discretionary cash flow can captivate more external investment. Therefore immense populace shows a large possibility for Pakistan to take advantage of demographic shares that might nourish the growth of Pakistan.

In Pakistan, interest in association among people transformed and growth of the economy has reignited that is showing falling productivity and fatality rates and hence decreasing growth in the populace. Therefore, a nation is observing variations in the structure of ages with the percentage of working age populace expanding and contributing a lifetime way of convenience to twist statistical progress into demographic perks.

At a commencement of this conversion stage, the productivity and fatality estimates are large, causing in the weakening of segment with the working-age populace and generating nodule in adolescent age group. The percentage of the reliance population is high, releasing fewer assets for growth as well as investment. In the second period, productivity rates decrease, leading to fewer youth dependents. Further, community bulge arrives, stays in the age of working and

employment. The population of working age rises more speedily than community depending on it, clearing up assets for investment as well as the growth of the economy. Other things remain same, wages per head increases faster therefore making additional wages accessible for dependents. Consequently, the well-being of household enhances. This interval is altogether lengthy and lasts for five decennaries and more.

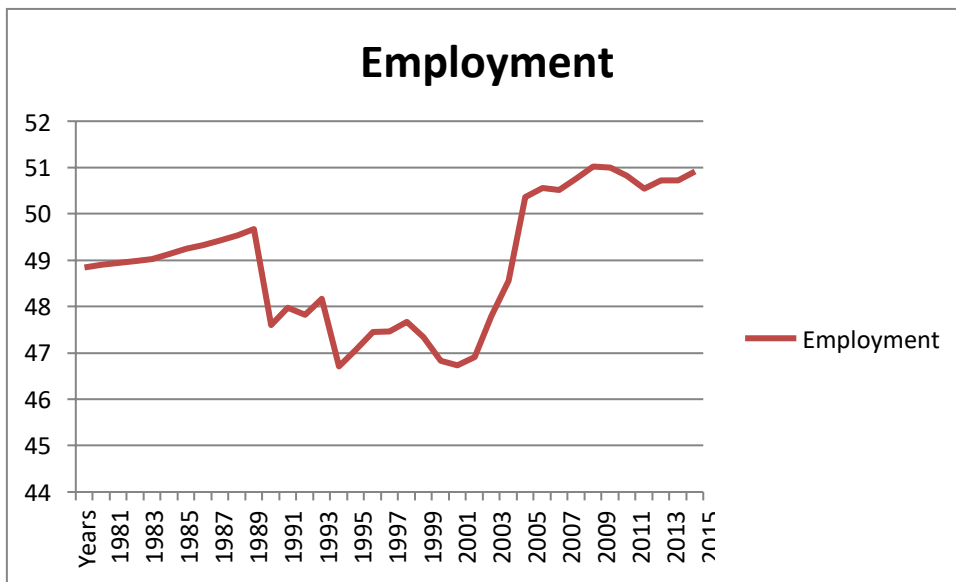


Table 3.10. Trends in Employment (1980-2016)

The figure shows the employment trends of Pakistan involving the year 1980-2016. It shows a slightly increasing in the start years but then show a declining trend in the year 1989. From the year 1993 till 2001 downward trend is shown however from 2002 onwards still the employment level is increasing as compared to the past years, this is due to the reason that more and more people are getting higher education and then coming to the employment sector of Pakistan.

All the social and economic variables which are used for the construction of inclusive growth data are interlinked with each other. As economic growth is very important for prosperity of any nation and for high economic and inclusive growth the provision of health, education, amenities in communication and transportation sector, satiation facility leads to productive employment and as a result poverty and inequality will decrease. In this way these variables are helpful to achieve inclusive growth in the country.

## CHAPTER # 4

### DATA AND METHODOLOGY

#### 4.1 Theoretical Framework:

The models developed by Solow (1956) and Harrod (1946) explain that how the factor inputs contribute to the growth of the economy and why the cross-country differences exist. These models lack the concept of growth that reduces income inequality. Simon Kuznet (1950) introduced the inverted U curve that explains that in the initial level of growth inequality increases but it gradually reduces as the country moves to higher stage of development. It explains the kind of trade-off between income distribution and economic growth. In order to tackle this problem Ali & Son (2007) introduced the concept of inclusive growth. This study takes the concept of growth that is explained in the study of Ali & Son (2007) that focuses on a growth that makes every individual in the economy to participate in the economic activities, at the same time they get their share from the growth. In order to calculate such an economic growth the model used by KcKinley (2010) has been adopted. Based on ten indicators, an index for inclusive growth has been developed. According to Ali & Son (2007) inclusive growth depends on many factors that affect the level of inclusiveness of economic growth including the economic, social and political factors. Based on this concept this study has taken trade openness and political stability as key driving forces of level of inclusiveness. Therefore, model of the study is

$$IG_t = \alpha_0 + \alpha_1 TR_t + \alpha_2 POL_t + \alpha_3 GFCF_t + \alpha_4 HC_t + \epsilon_t \dots \dots \dots (i)$$

IG = Inclusive Growth

TR = Trade Openness

POL = Political Stability

GFCF = Gross Fixed Capital Formation

HC =Human Capital

#### **4.2. Construction of Composite index for inclusive growth:**

The composite index of inclusive growth has been constructed for Pakistan. In order to find out whether the economy of Pakistan is achieving any improvement in attaining extensive growth, existing research is also planned at forming indexes for various time periods. The emphasis of research is on achieving inclusive growth that is comprised of some major areas of the economy of Pakistan such as Economic growth, income inequality, employment, health, education, gender equity, poverty, sanitation, infrastructure (telecom+ transport).

#### **4.3. Description of Variables Used For the Construction of Inclusive Growth Data:**

<b>S.No</b>	<b>Indicators</b>	<b>Description</b>
1.	Economic Growth	GDP per capita growth
2.	Income Inequality	Gini coefficient
3.	Employment	Employment to population ratio, 15+, female (%) (national estimate)
4.	Economic Infrastructure (telecom)	Communications, computer, etc. (% of service exports, BoP)
5.	Economic Infrastructure (transport)	Transport services (% of service exports, BoP)
6.	Gender Equity	School enrollment, primary and secondary (gross), gender parity index
7.	Health	Mortality rate, under-5 (per 1,000) live births)
8.	Education	Secondary education or more (% ages 15+)
9	Sanitation	Improved sanitation facilities (% of population with access)
10	Poverty	Poverty headcount ratio national poverty population)

**Data of all these variables are collected from WDI (World Development Indicator)**

The scores have been calculated for the period of 1980-2016 to show satisfactory and insufficient improvement in achieving growth that is inclusive in Pakistan. Improvement in indexes of inclusive growth is not stable over the time. Overall scores will specify performance of economics.

#### **4.4. Weightage Table:**

<b>S.No</b>	<b>Indicators</b>	<b>Weight</b>
1.	Economic Growth	10 %
2.	Income Inequality	10 %
3.	Employment	10 %
4.	Telecom	10 %
5.	Transport	10 %
6.	Gender Equity	10 %
7.	Health	10 %
8.	Education	10 %
9	Sanitation	10 %
10	Poverty	10 %

**Source: Adopted from McKinley (2010)**

Equal weights are assigned to all the variables which is 10 % (0.1)

#### **4.5. Assigning Equal Weights:**

ESCAP (Economic and Social Survey of Asia & Pacific) method is equal indicators for social, economic and environmental dimensions and equal weights assign to each indicator. We have taken the idea of equal weights from ESCAP in our study however the indicators are same as used by McKinley in (2010)

#### **4.6. Standardization of Data:**

The data has been standardized through the following formula.

$$SD = (Xi - \text{Minimum}) / (\text{Maximum} - \text{Minimum})$$

SD = Standardized Value

Xi = raw value of each indicator whatsoever its scale and measure,

Minimum = is the smallest value of raw data from each indicator.

Maximum = is the largest value of the data from each indicator.

The highest value of SNV shows the good performance for each indicator and low value explains bad performance. After normalizing each indicator, applying the above-mentioned formula of normalization for all indicators we have obtained values ranging from 0 to 1.

Data standardization means transforming all variables in the data to specific range. Data standardization makes the data unit free. From this process the construction of new characteristics is very easy. Searching, sorting and creating indexes are faster through standardization.

#### 4.7 Example of Inclusive Growth Index Construction FY 2016:

<b>Indicators</b>	<b>Rank</b>	<b>Weight</b>	<b>Scores</b>
<b>Economic Growth</b>	0.051369	10 % (0.1)	0.051369
<b>Income Inequality</b>	0.1	10 % (0.1)	0.1
<b>Employment</b>	0.097564	10 % (0.1)	0.097564
<b>Telecom</b>	0.043039	10 % (0.1)	0.043039
<b>Transport</b>	0.047717	10 % (0.1)	0.047717
<b>Gender Equity</b>	0.1	10 % (0.1)	0.1
<b>Health</b>	0.0488.1	10 % (0.1)	0.048801
<b>Education</b>	0.046619	10 % (0.1)	0.046619
<b>Sanitation</b>	0.1	10 % (0.1)	0.1
<b>Poverty</b>	0.054836	10 % (0.1)	0.054836
<b>Sum of all scores</b>	-	-	0.689945

Source: Author's Computation.



**0.689945** is the summation value of all the indicators for the year 2016 and this value is the inclusive growth data of year 2016.

### **Procedure:**

The ranks are basically the data of the economic indicator of that year and 10 % weights are assigned to all variables. The available economic variables which are used for the construction of inclusive growth data are 10 and  $10 \times 10 = 100$  %. When multiplying the rank with the weight of each year which is 10 % (0.1) the scores of that particular year are produced and then by adding all the scores of each year the inclusive growth data will be generated. In 2016, the score of inclusive growth is 0.689945 which is highest from 1980-2016 and the lowest score of inclusive growth is 0.45506 in 2003. By following the same pattern, the inclusive growth data will be generated for each year of Pakistan.

### **4.8 Unit Root Test:**

In time series analysis to avoid the unit root problem, stationary test has great significance. As time series data is mostly non stationary in nature having time variant mean, variance and covariance. Testing non stationary data usually gives spurious results by showing high R-square, as variables have no actual relationship at all. Transformation of data from non-stationary to stationary is necessary to avoid such problems and to obtain reliable and authentic results. Mean, variance and covariance of stationary data remain unchanged over time.

There are number of unit root tests, but in this study ADF (Augmented Dicky Fuller) unit root test is applied for checking of unit root test in our selected data. Augmented Dicky Fuller test is an augmented version of Dicky Fuller test for larger and complex data sets. More lag terms are used to eliminate the trend in the Augmented Dicky Fuller test.

In ADF test negative numbers are always used, the larger negative numbers provide the stronger reason to reject null hypothesis, that there exist a unit root. In ADF test, order of stationarity of variables is checked. If the series is stationary then it will say that series is stationary at level  $I(0)$  but if series is not stationary on level then it is differentiated on order one  $I(1)$  then if the series is stationary, it is called to be stationary at first difference.

#### **4.9 ARDL Approach:**

When some variables are integrated on level and some are on first difference, ARDL is the best technique to be employed. ARDL technique has some advantages over other approaches to estimate the model. Estimation of parameters is easy, efficient and unbiased by using this approach. This approach can be applied on small as well as large observations efficiently. The main advantage of ARDL is that it implies no restriction that variables are integrated on level or all variables on 1<sup>st</sup> difference. While applying ARDL, complex and multiple equation set up is not required that variables can be assigned different lag lengths in the model. ARDL model estimates both long-run and short run coefficients efficiently and simultaneously.

An estimation technique of ARDL is suggested by Pesaran and Shin (1995) has been utilized in this research to see short-run as well as long-run results of the model. This estimation technique because to its different unique characteristics is proposed by other procedures.

1. Dissimilar to other techniques, ARDL technique permits a mixture of integration on different orders; it implies that it's appropriate regardless of the different order of integration whether they are integrated of order zero or one.
2. In this technique, different lag lengths are used for different variables
3. It is suitable to compact with short sample size as compared to other methods.

4. It is simple and easy to understand by having a single equation, which makes it easy to solve and explain.
5. An important attribute is error correction model (ECM) which is helpful to derive out from ARDL through simple linear conversion.
6. It evaluates short-run as well as long-run coefficients both.
7. In the model, all of the variables are used to be internal.

When the association among variables is concerned we generally announce lags to analyze a transformation in a variable and its impact on another variable.

#### **4.10 Bound Testing Procedure:**

The bound test is a procedure applied to detect, either there exists long-run association among variables or not. This method is important for application of ARDL model. This approach is employed to test the long run association among variables but after stipulation of the model as well as integration order of variables. This approach is more effective for the size of the sample which is small. The bound testing technique has also many benefits. All variables are treated as.

To detect the long run association OLS (Ordinary Least Square) and Wald test is employed to identify the value of F-statistics as well as the importance of parameters.

If value of F statistics is greater than the value of upper bound, null hypothesis is excluded then there will be no long-run association among all variables. If F value of F statistics is less than value of upper bound, null hypothesis is approved that there exist long-run relation. If the value of F statistics comes within upper bound as well as the value of lower bound, the outcome will be undetermined. Furthermore, the desirable situation is if F value of F-statistics is bigger than the upper bound critical value to detect the presence of long-run association. Critical values of

the distribution are present in (Pesaran 1997). To check the maximum lag length of all variables of the models SBC criteria is employed.

**Bound Test technique is applied for the following model:**

Firstly, this approach is valid even if order of integration of all the regressor are not same, that is, it can be used if some of the regressor in the model are integrated of order zero and some are integrated of order one however Johansen likelihood approach requires all the regressor to be integrated of order zero [Johansen (1988)]. Secondly, this approach is applicable if the study involves a small sample size [Pesaran et al (2001)]. Thirdly, the long run coefficients estimated by bounds approach are unbiased. [Harris and Sollis (2003)]

$$\Delta IG = \beta_0 + \beta_1 IG_{t-1} + \beta_2 TR_{t-1} + \beta_3 PS_{t-1} + \beta_4 HC_{t-1} + \beta_5 GFCF_{t-1} + \sum_{i=1}^p \delta_{1i} \Delta TR_{t-i} + \sum_{i=1}^p \delta_{2i} \Delta PS_{t-i} + \sum_{i=1}^p \delta_{3i} \Delta HC_{t-i} + \sum_{i=1}^p \delta_{4i} \Delta GFCF_{t-i} + \mu_t \dots \dots \dots (ii)$$

IG = Inclusive Growth

TR = Trade Openness

HC = Human Capital

GFCF = Gross Fixed Capital Formation

$\mu_t$  = Disturbance Term

$\beta_i$  = Multipliers of long run

$\delta_i$  = short run dynamics

On foundation of AIC, the ideal order of lag of above paradigm is chosen. With the aim to examine the long-run equilibrium association, the lagged level coefficients of variables are restrained to zero applying Bound test. Null as well as substitute hypothesis of test:

$$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$$

$$H_1: \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq 0$$

Value of bound test is compared with values of critical bound recommended by Pesaran (2001). If calculated value of F-statistic exceeds by value of upper bound, hence  $H_0$  is dropped leading to outcomes that there is a long run relationship present in the model and contrariwise. If the outcomes support long-run association, further step is to evaluate equation (2) to grab long run parameters of dynamic model.

$$IG_t = \theta_0 + \theta_1 TR_t + \theta_2 PS_t + \theta_3 HC_t + \theta_4 GFCF_t + \mu_t \dots\dots\dots (iii)$$

Utilizing an ECM, the long run coefficients in equation (2) can be evaluated as

$$\theta_0 = -\beta_0 / \beta_1, \quad \theta_1 = -\beta_2 / \beta_1, \quad \theta_2 = -\beta_3 / \beta_1, \quad \theta_3 = -\beta_4 / \beta_1,$$

$\mu_t$  is error term supposed to be normally distributed.

For detection of short run estimations of the model, an unrestricted (ECM) is applied. The ECM model equation is stated below,

$$\Delta IG_t = \gamma_0 + \sum_{i=1}^{\rho} \gamma_{1i} \Delta IG_{t-1} + \sum_{i=0}^{\rho} \gamma_{2i} \Delta TR_{t-1} + \sum_{i=0}^{\rho} \gamma_{3i} \Delta PS_{t-1} + \sum_{i=0}^{\rho} \gamma_{4i} \Delta HC_{t-1} + \sum_{i=0}^{\rho} \gamma_{5i} \Delta GFCF_{t-1} + \psi ECT_{t-1} + \epsilon_t \dots\dots (IV)$$

**Equation of ECT:**

$$ECT_{t-1} = IG_{t-1} - \theta_0 - \theta_1 TR_{t-1} - \theta_2 PS_{t-1} - \theta_3 HC_{t-1} - \theta_4 GFCF_{t-1} \dots\dots\dots (v)$$

#### **4.11. Error Correction Model:**

After evaluating the long run relationship, the further step is the detection of short-run association among variables. The short-run relationship will be evaluated by error correction model (ECM). An error correction model belongs to a category of multiple time series models most commonly used for data where the underlying variables have a long-term stochastic trend also known as cointegration. ECM is a theoretically driven approach useful for estimating both short-term and long-term effects of one-time series on another. The term “error correction” relates to the fact that last period deviates from a long run equilibrium the error influences its short-run dynamics. The ECM directly estimates the speed at which dependent variable return to equilibrium after a change in another variable.

#### **4.12. Normality Test:**

With the aim to analyze either the residuals are shared normally or not, a test of normality is being applied. Afterward, it is essential for application of ARDL. Overall an estimation technique is assumed to be dispersed normally. Without this, the outcomes of T-Statistics, as well as F-statistics, don't deliver correct results.

#### **4.13. CUSUM Test:**

Afterward recognizing the power of linear relationship a constancy of parameters are checked by applying (CUSUM) test for an approximation as developed by Brown (1975). If parameters are persistent, they lay within two critical bounds the dotted line. If a line goes outside the bounds, parameters are said to be unstable. Hence the considered parameters are stable for a time period of (1980-2016). The results show that each variable exists within the critical bounds, so parameters are persistent.

#### 4.14. CUSUMSQ Test:

This test is beneficial to show that the coefficients of regression are changing suddenly or systematically. If the red line crossing blue lines it means that the regression coefficients are changing suddenly.

#### 4.15. Data Sources:

Current research is based on time series data. Data is gathered from the period of 1980-2016. The statistics for the study is obtained from World Development Indicator, Polity IV Project, Fred (Federal Reserve Economic Data). While the data of inclusive growth generated by ourselves. Trade openness and political stability are the main variables whereas human capital and gross fixed capital formation are the explanatory variables of our study.

#### 4.16 Variables & the Data Sources:

##### Variables & the Data Sources

Variable	Data Source
Inclusive Growth (IG)	Generated by myself
Political Stability (PS)	Polity IV project
Trade openness	World Development Indicator
Gross Fixed Capital Formation (GFCF)	World Development Indicator
Human Capital (HC)	Federal Reserve Economic Data

#### Explanation: Polity IV (Data of political Stability):

With the support of political instability task force, the polity IV project has been transformed into a living data collection effort, meaning that it constantly monitors regime changes in all major countries and provides annual assessments of regime authority characteristics, changes and data updates. The policy score captures this regime authority spectrum on a 21 Pont scale ranging from -10 (hereditary monarchy) to +10 (consolidated democracy). The polity scores can also be

converted into regime categories. It also records changes in the institutionalized qualities of governing authority.

#### **4.17. Explanation of variables:**

##### **4.17.1 Inclusive Growth (IG):**

Inclusive growth is the dependent variable of the study. Inclusive growth is an economic growth that is broad-based and sustainable. It is a growth that creates opportunities for all segments of society and distributes the dividends of increased propensity but in monetary and non-monetary terms fairly across the society. The OECD approach to inclusive growth is multi-dimensional, going beyond income and that the profits of economic growth must be shared.

##### **4.17.2 Trade Openness (TR):**

Trade openness is an independent and most important variable of the study and performs a significant task for economic growth and progress of a country. Trade openness is the elimination of obstacles or hurdles on free trade of commodities among countries. It involves deduction of tariff hindrances, like taxes and surcharges, as well as nontariff barriers, like permitting rules, quotas etc.

Ethically, trade liberalization strategy might purely on the nonexistence of any trade strategies; a management does not require anything to assist free trade. This is attributed to “laissez-faire trade” or “openness of trade.” regimes by means of free trade agreements (FTAs) may not vitally abandon all restrict on import as well as export taxation. Anyone can participate in an open market; there may be competitive barriers to entry.



#### **4.17.3 Political Stability (PS):**

Political stability is also a key variable of this study. Political stability and economic growth are deeply interconnected. Even the countries perceived as politically stable, political change can have a significant impact on the economy. It is a particular situation in which nation is going so smoothly without any political collapse or any instability. In this way, the nation has a control to relish the mutual benefits and advantages in a state. When different segments of the populace don't want a transformation of the regime and don't distress they will shot, imprisoned and give up their occupations or material goods if it happens. Life and activities related to the economy can stay generally for many people.

#### **4.17.4 Gross Fixed Capital Formation (GFCF):**

In a modernistic time of technology and invention capital is one of the important factors of production. It is reflected as machinery, equipment, and property employed by labor for manufacturing additional goods plus services. Furthermore, with the production of goods plus services, chances of jobs are also developed by effective use of capital. GFCF is an independent variable. The positive relationship between inclusive growth and gfcf is expected. It refers to the net increase in physical assets (investment minus disposals) within the measurement period. It does not account for the consumption (depreciation) of fixed capital, and also does not include land purchases.

#### **4.17.5 Human Capital (HC):**

Human capital is an independent variable of this study. Human assets are an evaluation of the monetary value of a worker's range of abilities. A measure expands on the essential manufacturing contribution of labor which measures that all work is believed to be equivalent.

The idea of human capital perceives that not all work is equivalent and that nature of representatives can be enhanced by putting resources into them; the instruction, experience, and capacities of workers. Human capital resembled some other sort of capital; it could be put resources through instruction, preparing and upgraded benefits that prompt a change in the quality and production level.

#### **4.18. Conclusion:**

This chapter presented the theoretical framework, data sources and description of variables. Theoretical framework presented the possible connection among independent variables, trade openness and political stability in the context of economic literature. The procedure of construction of indexes of inclusive growth is also mentioned. This chapter also presented the estimation techniques which consist of econometric framework of ADF and ARDL model. After the LM test, CUSUM test is also applied to detect the stability of the parameters.

## CHAPTER 5

### RESULTS AND DISCUSSION

#### 5.1. Introduction:

This study plays an essential role in examining the association among dependent variables as well as different independent variables. This section of the study discusses the outcomes of the econometric techniques.

**Table 5.2. Augmented Dickey Fuller (ADF) Test Results:**

Variables	Level of Integration	Test Equation	Lag Length	Calculated Value	Tabulated Value
<b>IG</b>	I(1)	Intercept	0	-3.63	-6.69
<b>TR</b>	I(1)	Intercept	0	-3.63	-7.30
<b>PS</b>	I(1)	Intercept	0	-3.63	-5.43
<b>HC</b>	I(0)	Intercept	9	-3.71	-5.51
<b>GFCF</b>	I(0)	Intercept	0	-3.63	-4.59

**Note: Calculated by Author using E-views 9**

To examine the stationarity of time series data, ADF test is employed. It is essential to explore if data of variables is stationary or not, before applying ARDL because ARDL model cannot be employed if any of the variables in the model is stationarity at second difference. The outcomes of the test of ADF are shown in table 5.3. The outcomes of ADF indicate that none of the variables of this research are integrated of order two or greater; therefore we can surely utilized model of ARDL for our empirical analysis.

Table 5.2 demonstrates the effects of ADF test statistics, for an entire dependent as well as independent variables comprises inclusive growth (IG), trade openness (TR), political stability (PS), human capital (HC) and GFCF (gross fixed capital formation). Null hypothesis of the unit root is that the series under observation is not stationary declares issue of a unit root in a series or

we can say that non-stationary data whereas alternate hypothesis states that problem of unit root does not exist in series and the data is stationary.

To check stationary in the series, level of significance is chosen as 5 %. If we check stationarity with lag 0 it is called ADF and if lags are included then it is called ADF. In the existing model it depicts that Inclusive Growth (IG) has a unit root at the level, but after taking first difference the IG variable becomes stationary with intercept and 0 lag lengths.

The next variable is Trade Openness (TR) which also contains a unit root problem and it turns into stationary at first difference with intercept and lag length 0. The other next variable is Political Stability (PS) which also has a unit root problem at level but after taking first difference the variable becomes stationary, with intercept and with 0 lag length. Another variable is Human Capital (HC) which becomes stationary at level and intercept and with 9 lag lengths. The variable Gross Fixed Capital Formation (GFCF) is stationary at level and intercept and with lag length 0.

When all variables are stationary at the level, consequently OLS method is employed for analysis of data. When all variables are incorporated on first difference, in this situation ECM is employed just because of cointegration. When some variables are stationary at level and others are on the first difference in such a way for analysis of data ARDL method is applied respectively. With the help of a table of stationarity it's evident that few variables are integrated on the level and others are integrated at the first difference. In mix order of integration, if OLS is applied it might mislead the outcomes. Consequently, for the existing research, the ARDL model is utilized to identify the long-run equilibrium relationship between dependent and independent variables of the model.

Researchers normally use AIC (Aikaike’s Information Criterion) and SIC (Schwarz Information Criterion) for suitable lag length but this is automatic selection and this is best fit on the proposed model of this study.

**Table 5.3 Long –Run Coefficients of ARDL (1, 0, 0, 1, 2)**

<b>Estimation of Long Run Coefficients by applying the ARDL Approach</b>				
<b>Dependent variable is IG( inclusive growth)</b>				
<b>Regressor</b>	<b>Coefficient</b>	<b>Standard Error</b>	<b>T-Ratio</b>	<b>Probability</b>
<b>TR</b>	-0.04993	0.01732	-2.882540	0.0078
<b>PS</b>	0.03058	0.01556	1.965218	0.0602
<b>GFCF</b>	0.02988	0.01933	1.545098	0.1044
<b>HC</b>	0.403902	0.033915	11.909273	0.0000

Note: Results are based on Authors calculation using E-Views 9

In table 5.3, outcomes of long-run are demonstrated. On the footings of SIC (Schwarz Information Criterion), optimal lag lengths are selected. The optimal ARDL model is (1, 0, 0, 1,2). The results show that there is negative but significant impact of trade openness and inclusive growth at 5% level of significance; it shows that if we increase 1 percent in (independent variable) trade openness, in this response there will be a decrease of 0.04 percent in dependent variable which is inclusive Growth.

The results show that there is a positive but insignificant relationship between political stability and inclusive growth at 5 % level of significance. It shows that if we increase 1 percent increase in political stability, in this response there will be an increase of 0.03 percent in dependent variable (IG).

On the other hand, there is a positive but insignificant relationship between Gross Fixed Capital Formation (GFCF) and inclusive growth at 5% level of significance. If we increase 1 percent in GFCF, in this response there will be an increase of 0.02 percent in dependent variable.

Above table shows that there is a positive and significant relationship between independent variable (human capital) and dependent variable which is inclusive growth at 5% level of significance. It shows that if we increase 1 percent in human capital then there will be an increase of 0.40 percent in the dependent variable.

The negative impact of trade openness on the economic growth of Pakistan in long-run is due to the weak conflict management of the institutions and lack of quality institutions in the country. The negative effect is due to the exports of raw material instead of final goods and import of capital goods and finished products. Export-oriented trade policies and quality conflict management institutions can be a solution to improve the trade in the country is the policy recommendations. (Ali.W & Abdullah.A (2015)

**Table 5.4 Bound Test**

**F-Statistics for Testing the Existence of Long-Run Relation:**

Before the interpretation of the parameter estimates of ARDL model, it is very necessary to check the existence of cointegration. Therefore, in this study cointegration test developed by Pesaran (2001) is utilized to detect the presence of long-run association among all variables.

Order of Lag	F-Statistics
1	4.13

**The lower and upper bound values (2.26 and 3.48 at 5%).**

We confirm from the bound test that whether a long-run relationship exists or not. The null hypothesis of this test is that there is no long-run relationship against the alternate hypothesis that there exists cointegration. Above table shows that the value of F-Statistics is 4.1, which is greater than upper bound value of 3.48 which has been taken from the table given by Pesaran (2001). If the bound test calculated value comes more than upper bound, cointegration exists. As a long-run relationship exists so now we can move to outcomes related to long-run and short-run.

**Table 5.5. Short Run Results of ARDL:**

<b>Error Correction Representation for the Selected ARDL Model</b>				
<b>Dependent Variable is IG</b>				
<b>Regressor</b>	<b>Coefficient</b>	<b>Standard Error</b>	<b>T-Ratio</b>	<b>Probability</b>
<b>D(TR)</b>	-0.03857	0.001370	-2.815610	0.0092
<b>D(PS)</b>	0.02362	0.001335	1.769148	0.0886
<b>D(GFCF)</b>	0.0596	0.1059	0.563109	0.5782
<b>D(HC)</b>	-0.039439	0.155875	-0.253019	0.8022
<b>D(HC(-1))</b>	-0.485545	0.184687	-2.629020	0.0142
<b>ECM(-1)</b>	-0.772380	0.200519	-3.851902	0.0007
<b>ECM = IG - (-0.0050*TR + 0.0031*PS + 0.0030*GFCF + 0.4039*HC )</b>				

In table 5.5, the results of short-run parameters and error correction term are demonstrated. In the model the dependent variable is inclusive growth whereas independent variables are trade openness, political stability, human capital and gross fixed capital formation. Rise in Political Stability induces an increase in the inclusive growth in the short run. Gross Fixed Capital Formation also has a positive impact on the dependent variable while the human capital negatively impacts on inclusive growth.

The term of ECM describes a speed of adjustment to attain the equilibrium in particular dynamic model. ECM value should have a negative sign as well as its mandatory to be significant. The negative sign with the coefficient of error correction term indicates convergence, in the long-run.

In the current model, ECM value is -0.77, it suggests that 77 percent of disequilibrium is being corrected annually. It presents that speed of settlement is a little bit high and equilibrium might be attained after some time.

**Table 5.6 ARDL Results:**

Variables	Coefficient	Std. Error	t-Statistics	Prob.
<b>IG(-1)</b>	0.217283	0.197534	1.099976	0.2811
<b>TR</b>	-0.03609	0.01278	-2.824284	0.0088
<b>PS</b>	0.02124	0.01249	1.700801	0.1005
<b>HC</b>	-0.064148	0.152008	-0.422006	0.6764
<b>HC(-1)</b>	-0.146211	0.185741	-0.787174	0.4380
<b>HC(-2)</b>	0.521529	0.183378	2.844015	0.0084
<b>GFCF</b>	0.0543	0.1033	0.525992	0.6032
<b>GFCF(-1)</b>	0.01448	0.00960	1.508157	0.1431
<b>R-squared</b>	<b>0.921539</b>			
<b>Adjusted R-squared</b>	<b>0.901198</b>			

The above table shows the results of main model of ARDL in which trade openness and second lag of human capital both have significant results, while political stability and gross fixed capital formation have insignificant results. The value of R-squared is 0.921 and the value of adjusted R-squared is 0.90. The value of R squared shows that how much independent variables jointly can influence dependent variable in particular model.

**Table: 5.7 Optimal Lag Selections:**

Lag	Log L	LR	FPE	AIC	SIC	HQ
<b>0</b>	-233.0264	NA	0.828825	14.00155	14.22602	14.07810
<b>1</b>	-127.3307	174.0871*	0.007329	9.254747	<b>10.60154*</b>	9.714040*
<b>2</b>	-100.3205	36.54326	0.007210*	<b>9.136498*</b>	11.60561	9.978536

The table represents the optimal lag selection criterion results. In this, there are different criteria's like a log, **LR** (sequential modified LR test statistics), **FPE** (Final prediction error), **AIC** (Akaike information criterion), **SIC** (Schwarz information criterion) and **HQ** (Hannan-



Quinn information criterion) but mostly used criterion are AIC and SC. According to SC criterion 1 lag is optimal and from AIC criterion 2 lags are optimal.

**Table 5.8 Correlation Matrix:**

	<b>TR</b>	<b>PS</b>	<b>HC</b>	<b>GFCF</b>
<b>TR</b>	1	0.22	-0.34	0.07
<b>PS</b>	0.22	1	0.13	-0.23
<b>HC</b>	-0.34	0.13	1	-0.22
<b>GFCF</b>	0.07	-0.23	-0.22	1

Note: Calculated by Author using E-Views 9

Table 5.8 is of correlation matrix that represents association and strength among independent variables. Correlation coefficients demonstrate the degree of linear relationship between variables whereas sign describes the direction of the correlation coefficient of association among variables. The upper table indicates feasible connection among all variables. The value of correlation coefficients in the diagonal of the correlation matrix describes the relation of a variable with itself. The upper correlation matrix illustrates that there exists absolute as well as unfavorable, and weak & powerful association among the independent variables.

Association between HC and TR is negative and weak as represented by a coefficient value that is -0.34. The association among HC with PS is positive but weak which also depicted the coefficient value. Its value is 0.13.

GFCG and TR are positive but weakly connected. It is exposed to a coefficient value which is 0.07. PS with GFCF has a negative and weak relationship with each other with the coefficient value -0.23. The relationship between GFCF and HC is also negative and weak -0.22. The results discussed above indicate that there is no problem of multicollinearity in the model.

**Table: 5.9 Serial Correlation LM Test:**

<b>F Statistics</b>	0.1278	<b>Probability F(2,24)</b>	0.8805
<b>Observed *R square</b>	0.355835	<b>Probability Chi square</b>	0.8370

LM test is employed in the model to find out the serial correlation. The problem of serial correlation must not exist in the model, for instance, if it exists then the outcomes will not be appropriate. It can further be applied to the models when lagged values for dependent variables are being employed as independent variables.

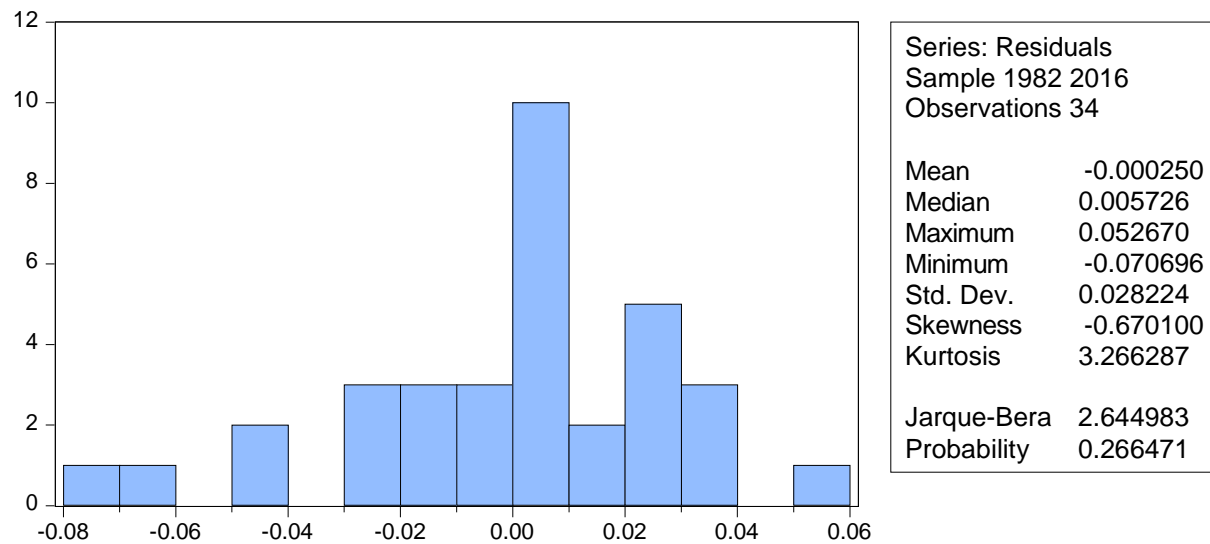
The Null and alternate hypothesis are as under:

Ho: There is no serial correlation

H1: There exists serial correlation

For analysis of hypothesis, if probability value is greater than 0.05, so null hypothesis can't be rejected, it means the problem of serial correlation is not exist. On another hand, if probability value is lower than 0.05 in this way null hypothesis is rejected. So from the above table, it is clear that the problem of serial correlation is not present in the model because the probability of Chi-Square is 0.83 which is greater than 0.05, in this way null hypothesis is accepted for this model.

## 5.10 Histogram-Normality Test:



A test of normality is applied to examine either the residuals are normally distributed or not. It is essential to apply ARDL afterward. All around the approximation model is supposed to be normally distributed. If it is not correct, further the outcomes for the t and f statistics don't deliver correct information.

So in order to see the regularity of the data series another test of "Jarque-Bera" is applied. It tests that whether the data is normally distributed or not. The above figure shows that residuals are normal because the probability value is 0.26.

### **The null and alternate hypotheses of the Jarque-Bera test are:**

Ho = Data is distributed normally

H1 = Data is not distributed normally

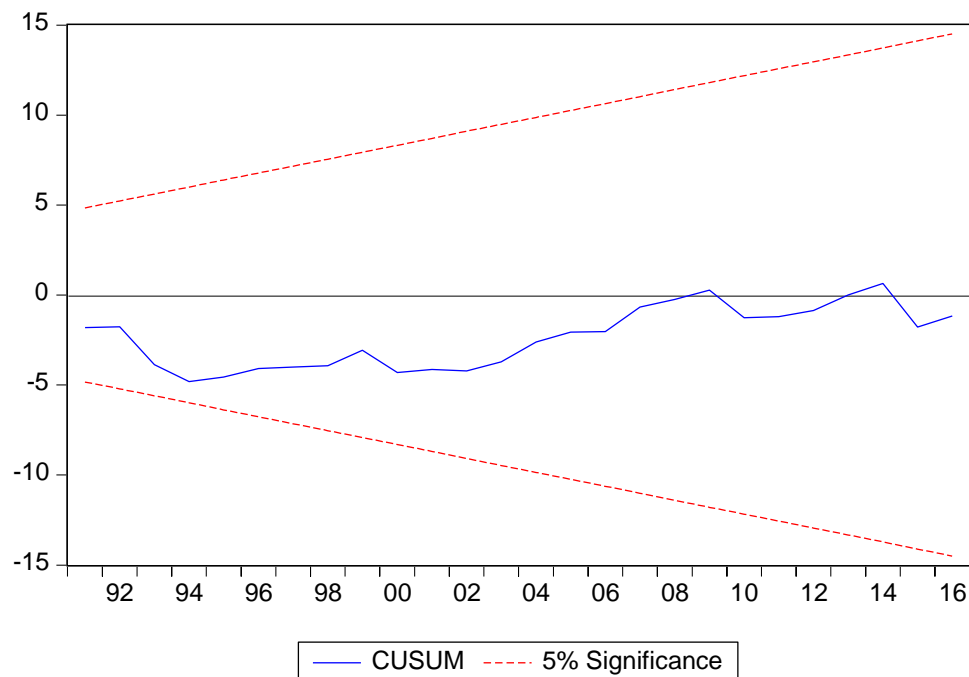
JB (Jarque-Bera) test is used to see these two hypotheses. If an acquired value is greater than the critical value, then the null hypothesis is denied. Then again, if it is less than the critical value, then null hypothesis is approved.

### 5.11 Stability Test:

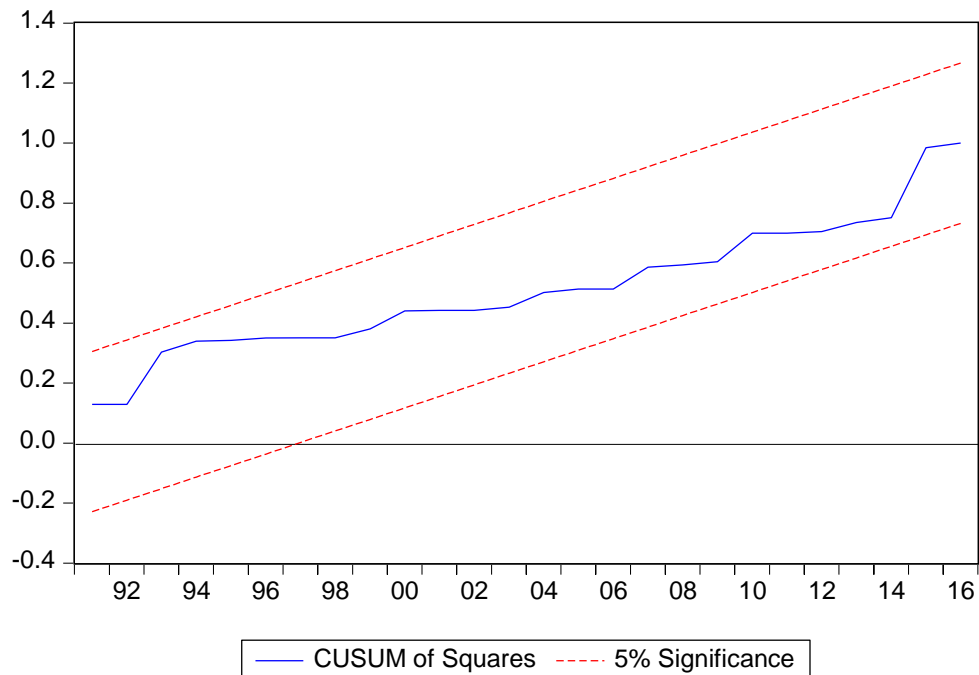
The stability of parameters are checked by performing the Cumulative Sum of Recursive Residual (CUSUM) and Cumulative Sum of Residual Square (CUSUMSQ) tests of estimation as developed by Brown (1975). If the parameters are stable they lie between the two critical bounds, represented in the graph below by the dotted line. The parameters are unstable if the line goes outside the bounds.

Figure 5.11 shows the results of parametric stability test lies both in the critical bound. Hence, the estimated parameters are stable for the period 1980-2016. The results show that all variables lie in the critical bounds, so the parameters are stable.

**Figure: 5.12 Parametric Stability Test (CUSUM):**



**Figure: 5.13: Parametric Stability Test (CUSUMSQ):**



The straight lines represent critical bounds at 5 % level of significance

If the parameters are stable they lie between two critical bounds, represented in the graph below the dotted line. The parameters are unstable if the line goes outside the bounds. Figure 5.11 shows the results of parametric stability tests lay both in the critical bound. Hence, the estimated parameters are stable for the period 1980 to 2016.

## **CHAPTER# 6**

### **CONCLUSION AND POLICY RECOMMENDATIONS**

In this study, the data of inclusive growth is generated by using the data of economic and social indicators which include GDP growth, education, health, employment, poverty, income inequality, gender equity, sanitation, infrastructure (transportation, telecommunication) comprising the time period 1980-2016. Equal weights of 10% are given to all these variables for the construction of the data.

The study tried to find out the impact of trade openness and political stability on inclusive growth in the economy of Pakistan for the period of 1980-2016. For the study, these variables are used: trade openness, political stability, human capital and gross fixed capital formation. All these variables are in the form of a percentage (%). First of all effectiveness of association among all the variables is analyzed, and detected the causal association among variables. ADF test is applied which provides the outcomes, that indicated at different orders. Then bound test is utilized as it approves the existence of long run association among the entire variables in the model. The evaluation of long-run and short-run error correction outcomes of the model has been calculated in the study. ARDL approach is applied to accomplish the targets of research.

Overall outcomes show that in the long-run, trade openness has negative but significant effects on inclusive growth whereas human capital has a positive and significant effect but the variables political stability and gross fixed capital formation both these variables have a positive but insignificant impact on inclusive growth in case of Pakistan. Whereas in short-run, the trade openness has an unfavorable but significant influence on inclusive growth whereas human capital has an absolute, as well as an important influence on inclusive growth through political

stability & gross fixed capital formation both, have a positive but insignificant effect on inclusive growth. But in short run time period, human capital has an unfavorable and less important effect on inclusive growth and the parameter of ECM (error correction term) is -0.77, it recommends that 77 % disequilibrium is being corrected annually.

### **6.1 Policy Recommendations:**

Inclusive growth is a unique set of policy recommendations. There is severe need to address and prepare convenient and applicable strategies better from the past, which should be encouraged on the way to achieve inclusive growth. The policy recommendations are given below.

- ❖ As exports are the backbone of the economy and exports earn valuable foreign exchange, which is quite important for a country like Pakistan. Government should make effective and positive efforts to boost country's trade and exports by taking business community into confidence and ensure the continuity of government's effective economical trade and export policies. Government should facilitate exporters at maximum level for arranging foreign trade delegation; besides encourage them to participate in all international trade fairs and exhibitions including international trade fair. Government should well aware of the problems of business community and make strenuous efforts to resolve them.
- ❖ The political stability is a key to make the country an economic giant. It is important to boost foreign investors. Pakistan need to strengthen his political system and institutions, develop a dynamic and sustainable growth, eradicate corruption, provide timey justice, enhance timely justice, enhance employment, seek consensus based political solutions. Government should improve the law and order situation in the country and enhance satisfactory political stability. Government should also remove the bureaucratic hurdles.

- ❖ Satisfactory political stability is also critical to attract and promote investment, so the political system should be calm and smooth. Pakistan should achieve rapid investment-led economic growth. To promote investment in the country government should identify potential countries to promote investment. Government should also identify new sectors (mining, tourism, quarrying, and construction) for investment rather than focusing on traditional sectors (oil & gas, textiles, financial business).
- ❖ Spending on education and health sectors is persisted low in Pakistan as compare to other growing nations; there is an important outlook for expanding growth by further investment in human capital. The Government must increase literacy rate between both the genders to raise the human capital in the country. The government should invest in education and health sector by increasing the number of public educational institutions especially in rural areas and provide clean water to the people. The purpose should be to increase the quality of life of people which will raise their productivity and help in reduction in poverty.
- ❖ A significant component of inclusive growth is good governance and powerful organizations to guarantee both financial and communal fairness and to avoid dishonesty. The treatment of various dishonesty cases in recent years including high-level leadership administrators exhibits the government's willpower to combat corruption and enhance standards of governance. Better strategies and sound organizations are requirements for the equality of opportunities, which is the fundamental principle of comprehensiveness of economic growth.



## REFERENCES

- Acemoglu, D., & Ventura, J. (2002). The world income distribution. *The Quarterly Journal of Economics*, 117(2), 659-694.
- Aghion, P., Bacchetta, P., Ranciere, R., & Rogoff, K. (2009). Exchange rate volatility and productivity growth: The role of financial development. *Journal of monetary economics*, 56(4), 494-513.
- Ahmad, E., Ullah, M. A., & Arfeen, M. I. (2012). Does corruption affect economic growth?. *Latin american journal of economics*, 49(2), 277-305.
- Alesina, A., & Rodrik, D. (1994). Distributive politics and economic growth. *The quarterly journal of economics*, 109(2), 465-490.
- Ali, I., & Yao, X. (2004). Pro-poor inclusive growth for sustainable poverty reduction in developing Asia: the enabling role of infrastructure development. *ERD policy brief series*, (27).
- Ali, I., & Zhuang, J. (2007). *Inclusive growth toward a prosperous Asia: Policy implications* (No. 97). ERD Working Paper Series.
- Anwar, T., & Qureshi, S. K. (2002). Trends in absolute poverty in Pakistan: 1990-91 and 2001. *The Pakistan Development Review*, 859-878.
- Awokuse, T. O. (2008). Trade openness and economic growth: is growth export-led or import-led?. *Applied Economics*, 40(2), 161-173.
- Bauer, A., Hasan, R., Magsombol, R., & Wan, G. (2008). The World Bank's new poverty data: implications for the Asian Development Bank.
- Besley, T., & Cord, L. (Eds.). (2007). *Delivering on the promise of pro-poor growth: Insights and lessons from country experiences*. World Bank Publications.

- Bhagwati, J., & Srinivasan, T. N. (2002). Trade and poverty in the poor countries. *American Economic Review*, 92(2), 180-183.
- Bloom, D. E., Canning, D., & Sevilla, J. (2001). *The effect of health on economic growth: theory and evidence* (No. w8587). National Bureau of Economic Research.
- Bosworth, B., & Collins, S. M. (2003). The empirics of growth: An update. *Brookings papers on economic activity*, 2003(2), 113-206.
- Bosworth, B., & Collins, S. M. (2008). United States-China trade: where are the exports?. *Journal of Chinese Economic and Business Studies*, 6(1), 1-21.
- Brueckner, M., & Lederman, D. (2015). Trade openness and economic growth: Panel data evidence from Sub-Saharan Africa. *Economica*, 82(s1), 1302-1323.
- Burnside, C., & Dollar, D. (2000). Aid, growth, the incentive regime, and poverty reduction. *The World Bank: Structure and Policies*, 3(2), 1.
- Coady, D., & Gupta, M. S. (2012). *Income inequality and fiscal policy*. International Monetary Fund.
- Daumal, M. (2010). The impact of international trade flows on economic growth in Brazilian states. *Review of Economics and Institutions*, 2(1).
- Devarajan, S., Swaroop, V., & Zou, H. F. (1996). The composition of public expenditure and economic growth. *Journal of monetary economics*, 37(2), 313-344.
- Dollar, D., & Kraay, A. (2002). Growth is Good for the Poor. *Journal of economic growth*, 7(3), 195-225.
- Durlauf, S. N., Johnson, P. A., & Temple, J. R. (2005). Growth econometrics. *Handbook of economic growth*, 1, 555-677.

- Dutta, D., & Ahmed, N. (2004). Trade liberalization and industrial growth in Pakistan: a cointegration analysis. *Applied Economics*, 36(13), 1421-1429.
- Economidou, C., & Murshid, A. P. (2008). Testing the linkages between trade and productivity growth. *Review of Development Economics*, 12(4), 845-860.
- Gries, T., Kraft, M., & Meierrieks, D. (2009). Linkages between financial deepening, trade openness, and economic development: causality evidence from Sub-Saharan Africa. *World development*, 37(12), 1849-1860.
- Guisan, M. C. (2007). Industry, Foreign Trade and Development: Econometric Models of Africa, Asia and Latin America 1965-2003. *International Journal of Applied Econometrics and Quantitative Studies*, 4(1), 5-20.
- Huang, L. C., & Chang, S. H. (2014). Revisit the nexus of trade openness and GDP growth: Does the financial system matter? *The Journal of International Trade & Economic Development*, 23(7), 1038-1058.
- Ianchovichina, E., & Lundstrom, S. (2010). with Garrido, L.(2009)'What is inclusive growth?'.  
Kakwani, N., & Pernia, E. M. (2000). What is pro-poor growth?. *Asian development review*, 18(1), 1-16.
- Karanassou, M., & Sala, H. (2010). The Wage-Productivity Gap Revisited: Is the Labour Share Neutral to Employment?.
- Kazmi, S. M., Ali, K., & Ali, G. (2017). Impact of Human capital on Economic Growth: Evidence from Pakistan.
- Khan, M. A., & Qayyum, A. (2007). *Trade, financial and growth nexus in Pakistan* (No. 2007, 14). Economic analysis working papers.

- Kim, S. (2008). Spatial inequality and economic development: Theories, facts, and policies. *Urbanization and growth*, 133.
- Klasen, S. (2010). Measuring and monitoring inclusive growth: Multiple definitions, open questions, and some constructive proposals.
- Kumah, F. Y., & Sandy, M. (2013). In search of inclusive growth: The role of economic institutions and policy. *Modern Economy*, 4(11), 758.
- Lawal, A. I., Nwanji, T. I., Asaleye, A., & Ahmed, V. (2016). Economic growth, financial development and trade openness in Nigeria: An application of the ARDL bound testing approach. *Cogent Economics & Finance*, 4(1), 1258810.
- Lean, H. H., & Tan, B. W. (2011). Linkages between foreign direct investment, domestic investment and economic growth in Malaysia. *Journal of Economic Cooperation & Development*, 32(4), 75.
- Levine, R., & Renelt, D. (1992). A sensitivity analysis of cross-country growth regressions. *The American economic review*, 942-963.
- Lipton, M., Eastwood, R., & Kirsten, J. (2002). Land and Asset Size, Structure and Distribution and the Links to Income in Three Drylands. *Poverty Research Unit. Working Paper. University of Sussex, UK (February)*.
- Lynde, C., & Richmond, J. (1993). Public capital and total factor productivity. *International economic review*, 401-414.
- Mankiw, N. G., Romer, D., & Weil, D. N. (1992). A contribution to the empirics of economic growth. *The quarterly journal of economics*, 107(2), 407-437.
- Marelli, E., & Signorelli, M. (2011). China and India: Openness, trade and effects on economic growth. *The European Journal of Comparative Economics*, 8(1), 129.

- McKinley, T. (2010). Inclusive growth criteria and indicators: An inclusive growth index for diagnosis of country progress.
- Mendoza, R. U., & Thelen, N. (2008). Innovations to make markets more inclusive for the poor. *Development Policy Review*, 26(4), 427-458.
- Moyo, C., Kolisi, N., & Khobai, H. (2017). The relationship between trade openness and economic growth: The case of Ghana and Nigeria.
- Mustafa, G., Rizov, M., & Kernohan, D. (2017). Growth, human development, and trade: The Asian experience. *Economic Modelling*, 61, 93-101.
- Nduka, E. K. (2013). Openness and economic growth in Nigeria. *Journal of Education and Practice*, 4(1), 68-73.
- Oluseye, I. C., & Gabriel, A. A. (2017). Determinants of Inclusive Growth in Nigeria: An ARDL Approach. *American Journal of Economics*, 7(3), 97-109.
- Orji, A., Mba, P. N., & Peter, N. (2011). Foreign Private Investment, Capital Formation and Economic Growth in Nigeria: a two stage least square approach. *Journal of Economics and Sustainable Development*, 2(2), 14-27.
- Osberg, L., & Sharpe, A. (2002). An index of economic well-being for selected OECD countries. *Review of Income and Wealth*, 48(3), 291-316.
- Palei, T. (2015). Assessing the impact of infrastructure on economic growth and global competitiveness. *Procedia Economics and Finance*, 23, 168-175.
- Polat, A., Shahbaz, M., Rehman, I. U., & Satti, S. L. (2015). Revisiting linkages between financial development, trade openness and economic growth in South Africa: fresh evidence from combined cointegration test. *Quality & Quantity*, 49(2), 785-803.

- Ramakrishna, G. (2002). The effect of trade liberalization on economic growth: the case of Ethiopia. *Finance India*, 16(4), 1295.
- Rauniyar, G., & Kanbur, R. (2010). Inclusive development: Two papers on conceptualization, application, and the ADB perspective. *Manila: Asian Development Bank*.
- Ravallion, M., & Chen, S. (1997). What can new survey data tell us about recent changes in distribution and poverty?. *The World Bank Economic Review*, 11(2), 357-382.
- Rodriguez, F., & Rodrik, D. (2000). Trade policy and economic growth: a skeptic's guide to the cross-national evidence. *NBER macroeconomics annual*, 15, 261-325.
- Sarkar, P. (2008). Trade openness and growth: is there any link?. *Journal of economic issues*, 42(3), 763-785.
- Shaheen, S., Ali, M. M., Kauser, A., & Ahmed, F. B. (2013). Impact of trade liberalization on economic growth in Pakistan. *Interdisciplinary Journal of Contemporary research in business*, 5(5), 228-240.
- Sims, R. L., & Mujtaba, B. G. (2005). The Influence of Human Development on National Corruption: Implications for Afghanistan.
- Sukar, A., Ramakrishna, G., & Hassan, S. (2002). The Exports and Economic Growth of Developing Economies: The Case of Ethiopia. *Asian African Journal of Economics and Econometrics*, 2.
- Tahir, M., & Azid, T. (2015). The relationship between international trade openness and economic growth in the developing economies: Some new dimensions. *Journal of Chinese Economic and Foreign Trade Studies*, 8(2), 123-139.

- Tandon, A., Zhuang, J., & Chatterji, S. (2006). Inclusiveness of economic growth in the People's Republic of China: what do population health outcomes tell us?. *Asian Development Review*, 23(2), 53.
- Trang, P. T., & Hieu, T. H. (2011). Effects of population growth on economic growth in Asian developing countries. *Bachelor Project in Economics, Malardalen University*.
- Ullah, Z. W. (2018). The Impact of Trade Openness, Investment and Human Capital on Economic Growth of Pakistan.
- Weaver, C. (2008). *Hypocrisy trap: The World Bank and the poverty of reform*. Princeton University Press.
- Weingast, B. R. (1993). Constitutions as governance structures: The political foundations of secure markets. *Journal of Institutional and Theoretical Economics (JITE)*/ 286-311.
- Wong, H. T. (2005). Openness, financial development and economic growth in Malaysia. *International Journal of Business and Society*, 6(1), 93.
- Yanikkaya, H. (2003). Trade openness and economic growth: a cross-country empirical investigation. *Journal of Development economics*, 72(1), 57-89.
- Yucel, F. (2009). Causal relationships between financial development, trade openness and economic growth: the case of Turkey. *Journal of Social sciences*, 5(1), 33-42.
- Zarra-Nezhad, M., Hosseinpour, F., & Arman, S. A. (2014). Trade-growth nexus in developing and developed countries: An application of extreme bounds analysis. *Asian Economic and Financial Review*, 4(7), 915.
- .





